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ABSTRACTS

Does Hegemony Matter?

THE REORGANIZATION OF THE PACIFIC POLITICAL ECONOMY

By DONALD CRONE

The timing and nature of an emerging Pacific economic regime are examined within a framework that extends existing understandings of regime formation. One analytic level is provided by the dynamic nature of states' strategic incentives, as they change from a pattern characterized by extreme hegemony toward one exhibiting features of a more balanced power distribution. Cultural underpinnings of regime values is another. Together, these explain features of Pacific regime formation that otherwise appear anomalous: its delayed emergence, its central internal tensions, and its weakness.

Capitalist Coalitions, the State, and Neoliberal Economic Restructuring:

CHILE, 1973–88

By EDUARDO SILVA

This article argues that a high degree of relative state autonomy and ideology, while necessary, was not sufficient to explain fully the change from import-substitution industrialization to an open, free-market economy in Chile. A comparison across three distinct policy periods in authoritarian Chile reveals that shifting coalitions of businessmen and landowners, with varying power resources, also played an important part in the outcome. This approach does not seek to vitiate other interpretations of economic change in Chile and elsewhere. The question is not so much which factor is most important, but how and when the different factors matter.

Writing the Intifada:

COLLECTIVE ACTION IN THE OCCUPIED TERRITORIES

By IAN S. LUSTICK

The five-year-old Palestinian uprising, the intifada, was the first of many mass mobilizations against nondemocratic rule to appear in the Middle East, Eastern Europe, East Asia, and the former Soviet Union between 1987 and 1991. Although the Palestinian struggle against Israeli occupation of the West Bank and Gaza Strip is seldom included by the media or by social scientists in their treatments of this putative wave of "democratization," many studies of the uprising are available. Although largely atheoretic in their construction of the intifada and in their explanations for it, the two general questions posed by most of these authors are familiar to students of collective action and revolution. On the one hand, why did it take twenty years for the Palestinians to launch the uprising? On the other hand, how, in light of the individual costs of participation and the negligible impact of any one person's decision to participate, could it have occurred at all? The work under review provides broad support for recent trends in the analysis of revolution and collection action, while illustrating both the opportunities and the constraints associated with using monographic literature as a data base.

When Effect Becomes Cause:

POLICY FEEDBACK AND POLITICAL CHANGE

By PAUL PIERSON

As governmental activity has expanded, scholars have been increasingly inclined to suggest that the structure of public policies has an important influence on patterns of political change. Yet research on policy feedback is mostly anecdotal, and there has so far been little attempt

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to develop more general hypotheses about the conditions under which policies produce politics. Drawing on recent research, this article suggests that feedback occurs through two main mechanisms. Policies generate resources and incentives for political actors, and they provide those actors with information and cues that encourage particular interpretations of the political world. These mechanisms operate in a variety of ways, but have significant effects on government elites, interest groups, and mass publics. By investigating how policies influence different actors through these distinctive mechanisms, the article outlines a research agenda for moving from the current focus on illustrative case studies to the investigation of broader propositions about how and when policies are likely to be politically consequential.

Explaining the Dynamics of the Southeast Asian Political Economy: State, Society, and the Search for Economic Growth

By GARY HAWES and HONG LIU

This essay reviews two sets of books that explore the origins and dynamics of Southeast Asia's growth and economic transformation. One set of books utilizes a structuralist framework and emphasizes the role of the state in creating a (now) powerful capitalist class. The other set of books utilizes an institutionalist framework to explain how new patterns of private/public sector collaboration have resulted in rapid economic growth. The authors point to weaknesses in both approaches and to areas where the two approaches can be fruitfully synthesized. They also offer suggestions for future research.

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DOES HEGEMONY MATTER?
The Reorganization of the Pacific Political Economy

By DONALD CRONE

THE Pacific political economy is in the midst of significant structural and institutional change. Over the past four decades the distribution of political and economic capabilities has shifted from a pattern that reflected an American hegemonic presence toward a more complex balance of power. Economic and security issues have become more separate, reducing the nesting of these two issue-areas. Furthermore, an institutional basis for handling the regional political economy on a multilateral basis is rapidly being developed, with the result that the prior predominance of bilateral negotiations is eroding. Collectively, these changes constitute a substantial reorganization of the Pacific political economy.

The Pacific experience raises several interesting issues regarding the formation of regimes during periods of change in the structure of international power.[1] The Asia-Pacific region is something of an anomaly. This important economic region has until very recently been largely devoid of regionwide economic institutions, this, in sharp contrast to Europe or even Latin America. Thus, whereas few trans-Pacific institutions were established during the period of U.S. hegemony, now, with U.S. predominance in serious question, there is a movement to institutionalize Pacific economic diplomacy in the form of the Asia-Pacific Economic Cooperation conference (APEC). Theory would suggest the opposite: that U.S. preeminence, rather than its decline, should have supported the creation of regimes. Does hegemony matter, then? If so, in what ways?

In answering these questions, this article strives to arrive at a better understanding of the economic and political reorganization of the Pa-

[1] There are numerous definitions of international regimes. I use the term in Kratochwil and Ruggie's sense of "governing arrangements constructed by states to coordinate their expectations and organize aspects of their behavior in various issue areas." See Friedrich Kratochwil and John Ruggie, "International Organization: A State of the Art on an Art of the State," *International Organization* 40 (Autumn 1986), 759. Another standard definition speaks of "sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge." See Stephen Krasner, "Structural Causes and Regime Consequences: Regimes as Intervening Variables," *International Organization* 36 (Spring 1982), 186.

World Politics 45 (July 1993), 501–25

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cific, and to revise our more general understanding of power and regimes, an understanding based largely on the Atlantic experience.[2] Essentially, it advances a modified realist explanation of regime formation in the Pacific that is conditioned by cognitive factors, as follows: (1) that U.S. predominance inhibited early attempts to organize the Pacific, by creating disincentives for the parties to institutionalize and multilateralize relationships; (2) that the present regime is largely a response to "leveling" changes in economic and political power relations among Pacific nations; and (3) that value differentials are also important and have structured APEC as a weak regime. Hegemony does matter, but its *decline* is more decisive than its ascendance for regime formation in this world arena.

I. Hegemony and the Organization of International Regimes

International theory does not explain the differences between Atlantic and Pacific institutionalization. Much of the literature has focused on why economic institutionalization among essentially Atlantic members was stronger during a period of American preeminence and is now weakening. But how can we explain essentially the opposite pattern? Why, that is, should Asian institutionalization have been weak during the same time period and grown stronger only afterward?

Hegemony has been treated as a central factor in the establishment and strength of international regimes. The early hegemonic stability thesis argued that the predominance of one state was a necessary condition for both the creation and the maintenance of strong, stable international regimes; once that condition was reversed, regimes were expected to decay: "As the distribution of tangible resources, especially economic resources, becomes more equal, international regimes should weaken."[3] Keohane has since modified the "decay" conditions; cooperation may continue even "after hegemony" in cases where regimes already exist, specific shared interests are present, and the hegemon is still willing to lead.[4] Snidal too questions elements of hegemonic stability theory and

[2] It should be noted that this is not an exercise in a priori theorizing but rather is the more mundane process of testing existing theories against new cases and suggesting modifications that extend their range of explanation.

[3] Robert Keohane, "The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967–1977," in Ole Holsti, Randolph Siverson, and Alexander George, eds., *Change in the International System* (Boulder, Colo.: Westview Press, 1980), 136.

[4] Robert Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984), chap. 3. Oran Young also stresses "entrepreneurial leadership." See Young, "The Politics of International Regime Formation: Managing Natural Resources and the Environment," *International Organization* 43 (Summer 1989).

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argues that cooperation may continue without hegemony. He distinguishes between two types of leadership: "coercive" (imposed and maintained by power) and "benevolent" (characterized by the provision of public goods). The first may require a hegemon, but the second may be provided by a small group of rising powers willing to continue the provision of collective goods.[5] Neither theorist suggests, however, that new regimes would form under these conditions. The literature leads to the conclusion that the existence of a hegemon is central to the creation of regimes and that at the very least a decline in hegemony is problematic for international regimes, as in Gilpin's portrayal of the U.S. as a "predatory hegemon" during its relative decline.[6]

What, then, does stratification of power explain about institutional formation in the Asia-Pacific? I maintain that it is relevant, but in a way different from the European context. While the U.S. was predominant in the Atlantic, power differentials were not that great and it was therefore never able to dictate. U.S. relative power in the Pacific, however, was far greater than it ever was in the Atlantic.[7] The deeper power stratification that existed in Asia requires an extension of realist logic toward an extreme of the power continuum that it never really considered, an arena more often addressed by the dependence literature. At the same time, hegemonic stability theory has not focused adequately on the changing strategic incentives of both providers and consumers that result from exogenous changes in the distribution of power.[8] As the power balance has been quite dynamic in this region, these changing strategic incentives need to be elaborated. Finally, the cultural differences between the Atlantic and Asian contexts must be considered if we are to account for regime characteristics more fully.

Shifting Strategic Incentives: From Dependence to Balance

Highly asymmetric patterns of relations, or dependence, are similar in analytic properties to more balanced, or interdependent, patterns; but they are distinctive in the way they mold actor incentives.[9] With vast

[5] Duncan Snidal, "The Limits of Hegemonic Stability Theory," *International Organization* 39 (Autumn 1985).

[6] Robert Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987), 345.

[7] The combined GNP of just Britain, France, Germany, and Italy was 39 percent of U.S. GNP in 1950; OECD, *Statistics of National Accounts 1950–1961* (Paris: OECD 1964). Compare with Table 4.

[8] Snidal (fn. 5), 584.

[9] The notion of dependence used here draws on the distinctions elaborated by James Caporaso, "Dependence, Dependency, and Power in the Global System: A Structural and Behavioral Analysis," *International Organization* 32 (Winter 1978).

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disparities, such as in a hegemonic structure with dependent subordinate actors, the predominant actor may be disposed to favor "benevolent" institutionalization or an imposed order; but nothing requires an institutional outcome. The structure of incentives is more likely to push strongly in the opposite direction. As Arthur Stein notes, there is no need for a regime when some actors can obtain their preferences through independent decision making.[10] With extreme power disparities, dictating outcomes becomes possible. A hegemon relies on its superior relational power, and a bilateral, rather than multilateral, order obtains. With high asymmetry of power, a hegemon may have few incentives to pursue an institutionalized order.

At the same time, common regimes would not necessarily be in the interest of the dependent actors either, even if the hegemon pursued them. Subordinates may prefer to exploit whatever individual advantages they can muster in bilateral negotiations, to free ride, or to pursue tactics of "dependence reduction," rather than to seek a general order within which they will clearly have little voice.[11] Indeed, avoiding or reducing entangling relationships with the dominant powers was a staple of both structuralist and dependency thought. Dependent actors' incentives weigh against subordinate institutionalization.

Extreme hegemony, then, may inhibit regime formation by shaping the incentives of both superordinate and subordinate actors away from joint solutions. Despite (or because of) hegemony, a fragmented, bilateral system of relations, rather than regimes, will be formed.

As disparities narrow due to exogenous power changes, incentives shift to the pursuit of a more institutionalized, multilateral bargaining context. Where relative size gaps are closing but still present, all actors may see the strategic rationality of taking steps toward institutionalizing an unstable order before it completely erodes into uncertainty. Potential losses, especially of status, are largest for the hegemon. Superordinate state incentives change to focus on preserving what can be salvaged from their former position. Gilpin observes that a dominant but declining power may make concessions to other states and agree to share the benefits of the status quo in exchange for preserving an existing system, but it will seldom make concessions on its own initiative.[12] New regimes may even form: "Those concerned about possible erosions of bargaining

[10] Arthur Stein, "Coordination and Collaboration: Regimes in an Anarchic World," *International Organization* 36 (Spring 1982), 301.

[11] E.g., see Charles Doran, George Modelshi, and Cal Clark, eds., *North/South Relations: Studies of Dependency Reversal* (New York: Praeger, 1983).

[12] Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1981), 193–94.

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strength in the future may be willing to make significant concessions to reach agreement quickly on the terms of specific regimes."[13] As incentives shift, the hegemon becomes reluctantly cooperative.

Altered circumstances also mold the incentives of subordinate states. The former hegemon may withdraw the voluntary provision of order; if the absolute size of the largest actor remains substantial, incentives to cooperate with that actor increase, giving subordinate actors a common cause to pursue joint gains rather than suffer individual discrimination. Rising American protectionism provides an example. The subordinate actors, though reluctant to engage with the dominant power, may nevertheless believe it is necessary. However, more positive inducements also exist. Subordinate actors may seek to capture immediate gains from the constraining effects of an institutionalized order. As Krasner notes: "Once regimes are actually in place . . . the relationship between power and regimes can become more attenuated."[14] The incentives for subordinate states to cooperate increase with the narrowing of power differentials.

Thus, the erosion of extreme hegemony changes the incentives of all states. Subordinate actors may desire to provide a multilateral framework that keeps a large actor in the system but also constrains its exercise of unilateral power; the superordinate actor may wish to use its size to preserve bargaining power that is perceived to be eroding. This line of argument suggests that regimes may form as hegemonic deflation opens political space that was previously closed to dependent actors and preserves some advantage for superordinate ones, but that engagement will be wary and cautious on both sides. Such an extended, more dynamic conception of the role of power structures in regime formation, then, might account for the pattern observed in the Pacific. Strategic incentives did not favor institutional formation under conditions of extreme hegemony, but with exogenous power changes those incentives changed too, creating a greater convergence of interests in mutual management.

Norms and Regimes

There is another issue embedded in the regimes literature that is related to differences between the Atlantic and the Pacific. Cultures influence cooperation, as follows: cooperation "after hegemony" relies on extensive shared interests; interests are a cognitive interpretation of material circumstances; cognitive frameworks respond to their underlying values.

[13] Young (fn. 4), 365.

[14] Stephen Krasner, *Structural Conflict: The Third World against Global Liberalism* (Berkeley: University of California Press, 1985), 29.

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This suggests that in societies sharing common notions of the community good and commensurate material standards, appeals to the commonweal would be more effective, making regime formation easier even when the best-case power distribution does not obtain. Conversely, value disjunctures caused by cultural or material factors are bound to narrow the range of normative agreement about cooperation.

Regimes are thus facilitated by shared values and not just by the desire for collective goods.[15] For many existing regimes, Ruggie's notion of "embedded liberalism" provides a powerful set of common, albeit Western, political values.[16] Even more fundamental are the underlying "mythic" bases of Western cooperation, which tap into the roots of shared Western culture.[17] These cognitive supports bolster the institutional side of cooperation, even, according to Russett, to the extent of compensating for the erosion of the power base of American hegemony.[18]

It follows that a lack of shared values and material circumstances may impart a different, more negative character to regime negotiations. "Non-Atlantic" contexts may substantially erode expectations of shared values and foster a climate of mutual nonunderstanding or even suspicion. The difficulty Americans and Japanese seem to have in understanding each other is a relevant example. Kurth has suggested that one source of international conflict is rooted in the differences between the Atlantic Alliance paradigm and that of the Pacific Basin; he points to embedded liberalism and international mercantilism as important features of these different value systems.[19] The vast economic disparity between industrialized and developing countries is also a fertile ground for conflicting interests and values, as the wide acceptance of the dependency paradigm attests. Krasner has pointed to a conflict between liberalism and a preference for authoritative allocation as a central feature of the North-South conflict.[20] Another is apparent in Southern resentment of what is perceived to be Northern attempts to impose "democracy" in non-Western countries.

[15] The importance of values is explored by G. John Ikenberry and Charles Kupchan, "Socialization and Hegemonic Power," *International Organization* 44 (Summer 1990).

[16] John Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization* 36 (Spring 1982).

[17] The "mythic" character of hegemony is based on the Atlantic experience and cannot be presumed to apply more broadly. See Isabelle Grunberg, "Exploring the 'Myth' of Hegemonic Stability," *International Organization* 44 (Autumn 1990).

[18] Bruce Russett, "U.S. Hegemony: Gone or Merely Diminished, and How Does It Matter," in Takashi Inoguchi and Daniel Okimoto, eds., *The Political Economy of Japan*, vol. 2, *The Changing International Context* (Stanford, Calif.: Stanford University Press, 1988), 103.

[19] James Kurth "The Pacific Basis versus the Atlantic Alliance: Two Paradigms of International Relations," *Annals AAPSS* 505 (September 1989).

[20] Krasner (fn. 14).

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In a cross-cultural context that lacks an embedded substructure of shared values, appeals to "the public good" are less likely to be effective, and actor expectations converge on a regime less easily. The process of identifying common norms and decision processes is more difficult; hence, agreement is more tenuous. Resulting regime constructs are most likely to be weaker than those with a firm cognitive basis. In explaining the course of regime construction, attention needs to be paid to the cultural basis and not only to the power dimension.

Thus, hegemony may be important to the formation of regimes in ways not previously noted. It may be that the *level* of power stratification is the key to explaining the apparent contradiction between the early Atlantic and Pacific experiences: hegemony does matter, but its erosion may be the signal feature. Whereas hegemony in its extreme form may inhibit the formation of a multilateral order (as both the superordinate and the subordinate actors find an institutionalized order overly constraining), as the power disparities narrow, these disadvantages erode and the probability of regime formation becomes higher. At the same time, cognitive issues are more complicated in the Pacific setting than in the Atlantic setting, militating against the formation of strong regimes.

The following sections describe the Pacific regime experience over the past several decades. First, major changes in Pacific power patterns are briefly surveyed. Then, the institutional environments of the 1960s through the 1980s are examined, with particular attention to the dominant interests of major actors. Finally, the nature of the current institutional order is summarized.

II. The Changing Patterns of Pacific Relations

The patterns of relations in the Pacific have changed quite dramatically over the past forty years. For the first two decades after the war, the United States was clearly hegemonic—the predominant economic power by any measure and the only significant military power in the Pacific Basin. These two issue-areas were firmly nested, with economic access and aid subordinated to security policy.[21]

By the 1990s U.S. predominance was no longer the clear pattern. This is largely a result of two parallel sets of changes, and it is being reinforced by a third. First, Japan has risen to become a significant challenger in trade and direct foreign investment and the lead country in aid. Tables 1–3 show some of these changes. Both U.S. and Japanese shares have

[21] For an inside view of this period, see Walt Rostow, *The United States and the Regional Organization of Asia and the Pacific, 1965–1985* (Austin: University of Texas Press, 1986).

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fallen in overall trade with other Pacific nations, the U.S. by far more than Japan, due in part to intraregional diversification. The surge of Japanese foreign investment from a formerly minuscule position is much more dramatic; it exceeds the total stock of U.S. foreign investment in the region and takes a leading share in almost all countries. In foreign aid, Japan has clearly replaced the U.S. as the predominant provider; this reflects the Japanese view of aid as a foreign policy tool in the absence of military power.[22] While trade, long-term stocks of direct foreign investment, and accumulated foreign aid indicate a continuing, strong U.S.

TABLE 1
FOREIGN AID TO ASIA-PACIFIC
(PERCENTAGE)

	1969		*1989*	
	U.S.	*Japan*	*U.S.*	*Japan*
Indonesia	48	21	3	38
South Korea	64	31	1	—
Malaysia	15	37	—	42
Papua New Guinea	0	0	0	16
Philippines	32	65	15	36
Singapore	0	3	1	21
Taiwan	14	65	0	—
Thailand	52	21	4	57
Vietnam	96	0	1	1

SOURCE: OECD, *Geographical Disbribution of Financial Flows to Developing Countries* (various years).

TABLE 2
PACIFIC TRADE STRUCTURE

	1969		*1990*		*1990*	
	U.S.	*Japan*	*U.S.*	*Japan*	*U.S.*	*Japan*
	(% recipient's trade)				*(% sender's trade)*	
Australia	19	19	18	22	1.5	3.7
ASEAN	21	29	17	21	4.6	11
Hong Kong	24	15	16	11	1.9	2.9
Taiwan Province	31	31				
South Korea	35	36	28	25	3.7	5.6
Canada	70	4	68	6	19.4	2.9
Japan	29	—	28	—	15.6	
U.S.	—	11	—	16		27.5

SOURCE: IMF, *Direction of Trade Statistics, Yearbook* (various years).

[22] Japan, Ministry of Foreign Affairs, *Japan's Official Development Assistance, 1989* (Tokyo: Ministry of Foreign Affairs, 1990), 18.

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TABLE 3
FOREIGN INVESTMENT POSITIONS

	% Total Late 1960s		% Total Early 1980s		Stock 1990 (millions $)	
	U.S.	Japan	U.S.	Japan	U.S.	Japan
Hong Kong			34	27	6537	9850
Indonesia	43	5	6	33	3827	11540
Malaysia	15	1.3	10	26	1425	3231
Philippines	59	1.7	52	16	1665	1580
Singapore	12	7.5	19	10	3971	6555
South Korea			30	50	2096	4138
Taiwan Province			29	32	2273	2731
Thailand	18	33	32	28	1515	4422
Canada	80		73	4	68431	5656
Australia			35	9	14529	16063
New Zealand					3139	1178
U.S.						130529
Japan					20994	
Total					130402	197473

SOURCES: Ministry of Finance, Japan; *Survey of Current Business* (various years); national investment boards.

presence, recent financial flows show an obviously different story. In 1988, for example, Japanese foreign investment into East Asia amounted to $5.5 billion, while that of the U.S. was just over $2 billion.[23] The 1990 U.S. commitment to the Philippine Assistance Plan was, at $160 million, just one-tenth that of Japan—the provider of 60 percent of Asian development assistance.[24] Thus, U.S. economic preeminence has been replaced by that of Japan in many regards.

Second, the rapid economic development of a number of countries in the region has reduced the GNP gap substantially, leveling the playing field somewhat and increasing the number of relevant players. One gets a sense of these changes from Table 4: where in 1965 other Pacific nations together accounted for little more than one-quarter of U.S. GNP, they now almost equal it. The international economic landscape in Asia-Pacific has grown considerably more complex and close-knit, in particular because it includes a much larger number of significant economic and political actors than it did four (or even two) decades ago.[25]

[23] *Tokyo Business Today*, October 1989, p. 58; *Survey of Current Business*, August 1989, p. 86.

[24] *Far Eastern Economic Review* (January 24, 1991), 46; *Los Angeles Times*, February 5, 1990, p. D3.

[25] The most thorough study of the Pacific economy is Peter Drysdale, *International Economic Pluralism* (New York: Columbia University Press, 1988), esp. chap. 3.

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TABLE 4
PACIFIC RELATIVE ECONOMIC SIZES
(PERCENTAGE OF U.S. GNP)

	1965	*1989*
Australia	3.3	5.5
Canada	6.7	9.5
New Zealand	0.8	0.8
Japan	13.0	54.7
South Korea	0.4	4.1
Philippines	0.9	0.9
Singapore	0.1	0.6
Thailand	0.6	1.4
Malaysia	0.4	0.7
Indonesia	0.5	1.8
Total	26.8	79.8

SOURCE: *World Development Report 1991* (New York: Oxford University Press, 1991).

Third, the U.S. military presence has been reduced and disaggregated from economic issues. The Guam Doctrine of less direct involvement in political conflicts reduced the U.S. military presence. Increasing Soviet interest and naval presence in the region through the Reagan administration sustained the salience of U.S. military presence in the view of Asian states. However, by the start of the 1990s dramatic reductions in their perceptions of a Soviet threat had reduced the value of an American presence, even prior to the collapse of the Soviet Union.[26] Furthermore, even though increasingly sophisticated Japanese military capability sustains interest in an American presence in the eyes of some regional states, the concern is for a balancing force, rather than for a restoration of the hegemonic deterrent. At the same time, the rise of trade tensions has reduced political support for strategic ties with the U.S., since acceptance of the Pacific political fabric was at least partially based on the U.S. role in assisting growth as a route to domestic political stability.[27] The need for an American military umbrella is simply less salient during the dry season.

The results of these changes in patterns of relations are significant, though not so simplistic as they are usually portrayed. First, despite Ja-

[26] For a review of perceptions, see Muthiah Alagappa, "Soviet Policy in Southeast Asia: Towards Constructive Engagement," *Pacific Affairs* 63 (Fall 1990). The Soviet position under Gorbachev is well stated in Aleksandr Bogomolov, "Problems of Cooperation in the Pacific Region," *International Affairs* (Moscow) (January 1987).

[27] Bernard Gordon, "Politics and Protectionism in the Pacific," *Adelphi Papers* 228 (Spring 1988), 64.

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pan's emergence as a significant challenger for regional economic leadership, it has only recently made progress as a political leader. This is partly a legacy of resentment of Japan's wartime militarism and partly due to careful avoidance of a political role before 1980.[28] The adoption at that time of the Ohira report, which instituted a Japanese doctrine of "comprehensive national security" that more closely linked economic and political objectives, is instructive: the change is characterized as a response to "the termination of clear American supremacy in both military and economic spheres."[29] Japan and the U.S. are now roughly economic equals in the Pacific, but the more rapid expansion of Japan hints that the U.S. relative position will continue to decline. The political balance is shifting more slowly, however; although the U.S. is no longer the hegemon in the region, it clearly remains the major actor.

Second, the structure of economic linkages in the Pacific has changed significantly. Rapid industrialization has transformed many economies, but they are increasingly tied into a Pacific economic structure that is set by the expansion of Japanese foreign investment and by continued U.S. and increasing Japanese market access. The consolidation of Japanese corporations into other East Asian economies has made East Asia more of a single structure, what Hollerman refers to as Japan's "Headquarters Economy." This trend is evident, for example, in the motor vehicle industry.[30] During the 1980s this trend toward "strategic deployment of investment bases" was reinforced by the appearance of small and medium-size Japanese companies as major overseas investors in the Pacific.[31] While more industrially developed, the newly industrializing economies (NIEs) have become integral elements in a regional division of labor, an East Asian "dependent development," that shifts the center of the Pacific economy decisively eastward.

[28] See Deborah Haber, "The Death of Hegemony: Why 'Pax Nipponica' Is Impossible," *Asian Survey* 30 (September 1990); Shiro Saito, *Japan at the Summit* (London: Routledge, 1990), 54.

[29] Japan's "Report on Comprehensive National Security," quoted in Reinhard Drifte, *Japan's Foreign Policy* (London: Royal Institute of International Affairs, 1990), 29.

[30] Leon Hollerman, *Japan's Economic Strategy in Brazil* (New York: Lexington Books, 1988), chap. 1; Kit Machado, "ASEAN State Industrial Policies and Japanese Regional Production Strategies: The Case of Malaysia's Motor Vehicle Industry," in Cal Clark and Steve Chan, eds., *The Evolving Pacific Basin in the Global Political Economy* (Boulder, Colo.: Lynne Rienner, 1992). David Arase argues that this is a coordinated government program using private capital, aid, and trade flows. See Arase, "U.S. and ASEAN Perceptions of Japan's Role in the Asian-Pacific Region," in Harry Kendall and Clara Joewono, eds., *Japan, ASEAN, and the United States* (Berkeley: University of California, Institute of East Asian Studies, 1991), 268–75. See also Passuk Phongpaichit, *The New Wave of Japanese Investment in ASEAN* (Singapore: Institute of Southeast Asian Studies), 51–59.

[31] Japan External Trade Organization, *1986 JETRO White Paper on World and Japanese Overseas Direct Investment* (Tokyo: JETRO, 1986), 13.

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However, the regional economy itself has matured dramatically, increasing the NIEs' intrinsic importance, as they become increasingly important to each other as trade partners and as sources of investment. The overall share of Pacific trade with other Pacific economies increased from just over one-half in 1970 to close to two-thirds in 1988; for the small members of the Pacific, the rise is even more dramatic.[32] In 1987 Taiwan and Hong Kong ranked third and fifth as investors in Thailand, and in 1989 Taiwan was a close second to Japan in Malaysian investment approvals (the U.S. was sixth).[33] The Asian NIEs are tying themselves more closely together. As a group, they want to ensure that the Pacific economy continues to develop to their advantage in both economic and political terms. This requires continued linkages to both Japan and the U.S., in particular, where their interests are compatible. Where the respective interests diverge, however, the increasing weight of the NIEs lends them leverage.

In sum, U.S. hegemony in the Pacific has been reduced by the rapid relative growth of Japan and the NIEs and by their extensive system of mutual economic linkages. The potential economic power of East Asia almost equals that of the U.S. As the balance of political-economic power has become more complex, the frequency and intensity of negotiations have increased and outcomes have become less sure. As hegemony eroded, the order maintained by U.S. power devolved toward uncertainty and chaos.

III. Structural Change: Institutional Response

Pacific institutional development broadly parallels the power and value setting of the time. From the 1960s through the 1980s, power and value disparities inhibited institutional development; neither the U.S. nor most of its subordinates saw economic regime formation as being in their interest. With significant change along both power and value dimensions during the 1980s, a Pacific intergovernmental organization, the Asia-Pacific Economic Cooperation conference, was finally accepted in 1989.

Constraints of Hegemony

The United States occasionally raised the issue of a broader regional association, but little came of these efforts. Lyndon Johnson, both as vice

[32] *Pacific Economic Outlook 1990–1991* (San Francisco: Pacific Economic Cooperation Conference, 1990), Appendix, Table 1.

[33] Japan External Trade Organization, *1989 JETRO White Paper on World Direct Investments* (Tokyo: JETRO, 1989), 3; Malaysian Industrial Development Authority (data provided to author by MIDA). Taiwan ranked first in 1990, according to the *Far Eastern Economic Review* (January 24, 1991), 24.

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president in 1961 and as president in 1965, gave important speeches urging the formation of an organization for development and security among the "free nations" of the Pacific, largely without result—perhaps because one of the motivations was to allow the U.S. to pull back, rather than to create a Pacific regime.[34] Institutional development was not entirely absent, but, with the exception of the Asian Development Bank, it was focused on security arrangements, such as SEATO and the Asian and Pacific Council (ASPAC), neither of which survived the 1970s.[35] No intergovernmental regional economic organization was formed.

The one lasting economic organization of governments is decidedly subregional in scope and values. The Association of Southeast Asian Nations (ASEAN), comprised of Brunei, Indonesia, Malaysia, Singapore, the Philippines, and Thailand, came relatively early to focus its diplomatic efforts on economic bargaining with outside powers (including the U.S.), and followed a political-economic strategy of dependence reduction through partner diversification.[36] Furthermore, values espoused by the ASEAN members clearly reflected the "Southern," Group of 77 mentality, cast in opposition to the "Northern," liberal approach epitomized by the U.S. The annual ASEAN postministerial meetings with the Pacific dialogue partners by default turned into a quasi-regional economic forum for governments. In their format, these nicely symbolize the North-South divide in values and interests, as they are essentially the ASEAN six meeting consecutively with the foreign ministers of the U.S., Japan, Australia, New Zealand, and Canada.

Proposals for broader Pacific economic organizations have been frequent, but by government preference the results have been exclusively nongovernmental (and therefore nonbinding).[37] Japan has been a consistent source of these proposals, perhaps reflecting its leadership aspirations. The first official proposal, put forth by Japanese prime minister Miki in 1967, was for a Pacific Free Trade Area. It was based on the presumption that the impending completion of a European trade area would impact severely on the Pacific economies. Although the proposal was unable to garner wide governmental support, it did assist the Pacific Basin Economic Council (PBEC), formed in April 1967 from national groups of business managers, and the Pacific Trade and Development Conference (PAFTAD), first convened in Tokyo in January 1968, as an

[34] Rostow (fn. 21), 8, 198.

[35] See Leszek Buszynski, *SEATO: The Failure of an Alliance Strategy* (Singapore: Singapore University Press, 1983).

[36] Donald Crone, *The ASEAN States: Coping with Dependence* (New York: Praeger, 1983).

[37] The best treatments are to be found in Hadi Soesastro, "Institutional Aspects of Asian-Pacific Trade Cooperation," in *ASEAN and Pacific Economic Cooperation* (Bangkok: ESCAP, 1983); and Drysdale (fn. 25), chap. 8.

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economists' forum.[38] These nongovernmental forums fostered greater contact among academic economists and business circles in the Pacific, produced a fund of Pacific economic knowledge, and gradually extended their base of participants beyond the industrialized economies to include the developing economies of East and Southeast Asia. The 1960s outcomes were, however, merely associational, not involving governments in any significant way.

During the 1970s Japan again, particularly Prime Minister Ohira, took the lead, with close Australian cooperation, in proposing a Pan-Pacific organization. This was vigorously pursued all around the Pacific littoral as a central diplomatic goal through numerous study groups, seminars, informal consultations, and published reports in 1978–80. Ohira canvased the developed countries to get their agreement before consulting the Pacific developing countries.[39] For the first time the idea was seriously considered in U.S. congressional circles.[40] The result was the initial meeting of the Pacific Economic Cooperation Conference (PECC). Held in Canberra in September 1980, it was attended by delegations from the U.S., Japan, Canada, Australia, New Zealand, the Republic of Korea, and the (then five) ASEAN members. A picture of the motivating forces may be gleaned from the report of that meeting:

> A sense of community in the Pacific may be under greater stress in the more difficult climate of the 1980s than in the 1960s and 1970s. The 1980s are bringing greater protectionist pressures in many countries, increased competition in international trade, a trend towards regionalism elsewhere in the world and heightened problems of access to resources.[41]

In the subsequent nine meetings through 1992, PECC expanded country participation and established an informational base for more liberal Pacific economic cooperation. The original core members of PECC were first supplemented by Brunei, China, and Taiwan, with participation by the South Pacific Forum; in 1991 Hong Kong was admitted to complete the East Asian contingent, and Chile, Mexico, and Peru edged the roster toward a pan-Pacific membership. All major Latin American countries

[38] See Peter Drysdale, *The Pacific Trade and Development Conference: A Brief History*, Pacific Economic Papers no. 112 (Canberra: Australia-Japan Research Center, 1984).

[39] Reported in *New Nation* (Bangkok), January 3, 1980.

[40] See U.S. House of Representatives, Committee on Foreign Affairs, Subcommittee on Asian and Pacific Affairs, *Hearings*, "The Pacific Community Idea," 96th Cong., 1st sess., July 18, October 23, 31, 1979; and Peter Drysdale and Hugh Patrick for the Senate Foreign Relations Committee, Congressional Research Service, *An Asian-Pacific Regional Economic Organization* (Washington, D.C.: Congressional Research Service, 1979).

[41] "Report of the PECC I: Pacific Community Seminar, Canberra, September 15–18, 1980," in *Report of the Fifth Pacific Economic Cooperation Conference* (Vancouver: Canadian Chamber of Commerce, 1986), 159.

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send observers, and some participate in task forces. The Soviet Union had sent observers since 1986, and Russia entered in 1992, on its own behalf and also representing the other CIS republics. The European Community closely monitors the organization.

The political objective of PECC is to forge an economic community in the Pacific. Drysdale asserts that the PECC represents "a significant elevation in the profile of government support for developing the practice of regional cooperation."[42] If so, the boost is quite modest. U.S. vice president Quayle, for example, addressed the 1991 meeting, and several national committees are nominally headed by high government leaders. However, the most obvious aspect of the tripartite (business, academic, government) structure of PECC is the close but *unofficial* nature of government participation. PECC committees have a wide range of task forces that investigate substantive issues and make reports available to the governments; despite the participation of government actors, however, the governments are under no obligation to accept the recommendations of these reports.[43] Perhaps making virtue of necessity, the model avoids bureaucratic institutionalization; some influential members point to the Organization for Economic Cooperation and Development (OECD, comprised mostly of European countries) as something to be avoided. A modest central secretariat, established in Singapore in 1990 to coordinate meetings, can be seen as a symbol of the organization's Pacific roots and non–power politics orientation. The organization's goals now conform rather closely to an open market for goods and services; the predominance of mainstream economists among the participants makes this orientation unsurprising.[44] Despite its higher original ambitions, PECC—like all other regional economic associations of this era—has remained strictly nongovernmental.

The causes of governmental hesitation through 1989 to embrace a regional economic organization fall into two categories. First, the implications of power relations in such forums were viewed with suspicion; and second, the multitude of Pacific value systems posed a challenge to cooperation. Frequently, elements of each are present in public expressions on the subject.

[42] Drysdale (fn. 25), 217.

[43] PECC operates as a series of task forces, each essentially a multicountry committee, as follows: tropical forestry cooperation; trade policy; minerals and energy; transport, telecommunications, and tourism; agricultural policy, trade, and development; fisheries; Pacific island nations; science and technology; Pacific economic outlook.

[44] Perhaps this is the source of the apparent frustration of one major participant, who argued that PECC should reduce the role of academics and focus on more "relevant" policy proposals.

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The initial U.S. position was one of both disinterest in regional (as opposed to universal) regimes and concern about potential North-South problems.[45] Presumably, regional forums were seen as nested in more global ones and in some sense unnecessary because of them. Furthermore, the U.S. preferred global forums dominated by Western countries because they expressed more congruent values; forums with a substantial Third world membership could provoke unwelcome value clashes. Indeed, although President Reagan did appoint a Pacific ambassador in March 1983, the ambassador was at that time openly skeptical of Pacific organizations.[46]

The ASEAN members repeatedly expressed concerns that their position, relatively enhanced through the association, would be undermined,[47] as in this remark by a Filipino PECC participant: "Not a few tend to think of this developing sense of community as a 'great power–concocted scheme,' hence a threat to developing countries."[48] The perception at the time that economic interconnectedness was unmatched by politically equal voices was clearly expressed by Malaysians: "True interdependence must mean not just being mutually dependent on each other but some degree of equality of strength to support each other."[49] A Pacific organization of governments could become "a monster."[50] "Grand economic designs" should be the last thing Pacific Rim countries should pursue.[51] There was a suspicion that control of Southeast Asian resources and ties with the Group of 77 would be manipulated unfavorably by a North-South organization, and in Indonesia there was concern that the U.S. and Japan would overwhelm ASEAN in a broader organization. A Singaporean analyst noted that to appeal to ASEAN, such an organization must offer better results than those yielded by bilateral approaches.[52] South Korea seemed to fall in line with the Japanese, proposing regular Pacific summits to promote North-South cooperation; but the idea was rejected by ASEAN.[53]

[45] Interview with Arthur Burns, *Straits Times* (Singapore), January 24, 1980.

[46] Ambassador Fairbanks, reported in *Straits Times* (Singapore), June 18, 1985.

[47] See Narongchai Akrasanee et al., *ASEAN and the Pacific Community* (Jakarta: Center for Strategic and International Studies, 1981).

[48] Jose Leviste, Jr., "A Pacific Summit of Developing Countries," *Report of the Fifth Pacific Economic Cooperation Conference* (Vancouver: Canadian Chamber of Commerce, 1986), 52. Leviste was the head of the delegation from the Philippines.

[49] Prime Minister Mahathir, quoted in Hadi Soesastro, "Institutional Aspects of Asian-Pacific Trade Cooperation," in *ASEAN and Pacific Economic Cooperation* (Bangkok: ESCAP, 1982), 298.

[50] Musa Hitam, *New Straits Times* (Malaysia), August 16, 1985.

[51] Quoted in *New Straits Times* (Malaysia), January 4, 1985.

[52] Chia Siow Yue, "ASEAN and the Pacific Community," *Southeast Asian Affairs 1981* (Singapore: Institute of Southeast Asian Studies, 1982), 47.

[53] President Chun, reported in *New Straits Times* (Malaysia), August 3, 1982, and reactions, October 21, 1982.

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To the degree that a Pacific order existed during the height of U.S. hegemony, it was imposed without the explicit consent of the other Pacific states. The security and economic "goods" that the U.S. provided were part of a global strategy to contain the Soviet Union and China; that is, the policy reflected American interests and was not directly derived from the interests of the region itself. The system of relations was an essentially bilateral one, between the U.S. on the one hand and each of the countries the U.S. chose to relate to on the other; each partner, of course, maneuvered to secure from the U.S. maximum advantage for itself. Where economic relations were not shaped by U.S. security interests, the clear preference and practice was for unilateral American control, for example, in imposing control on the textile trade. The objects of that policy sought diverse means of evading its impact while appearing to comply.[54] The fragmented system, and the relative affluence of the U.S., provided extensive opportunities for Asian nations to free ride and maneuver, while the U.S. was largely able to satisfy its objectives because of its vastly superior power.

Clearly, most governments preferred to keep their distance from regional economic organizations and thereby avoid being drawn into a forum that would erode their bilateral clout and threaten their values. Neither the hegemon nor its regional subordinates found extensive regime formation to their advantage, as extreme gaps in relative power as well as conflicting value structures shaped interpretations of national interests away from this outcome.

Hegemonic Deflation

By the end of the 1980s much of the foregoing calculus seemed to have changed. The several years of trial and observation in nongovernmental organizations may have eased fears, and economic relations certainly did intensify, perhaps confirming the functionalist view of institutional origins. But broader forces were also at work, eroding the underlying basis of earlier judgments that weighed against regime formation.

First was the growing concern with, and at least initial acceptance of, the "decline" of American hegemony in economic and military terms.[55] The growing dominance of Japanese industry and finance was forcing a rethinking of multilateral models in a way that put new emphasis on the

[54] See David Yoffie, *Power and Protectionism* (New York: Columbia University Press, 1983), chaps. 2, 3.

[55] The most discussed contribution seems to be Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Vintage, 1987). The validity of the notion is challenged by Bruce Russett, "The Mysterious Case of Vanishing Hegemony; or Is Mark Twain Really Dead?" *International Organization* 39 (1985); and Joseph Nye, Jr., *Bound to Lead* (New York: Basic Books, 1990).

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Pacific.[56] If the U.S. was losing control at the global level, regional fallbacks seemed more attractive. By 1989, Pacific ambassador Fairbanks was testifying that the "new era" in the Pacific called for U.S. leadership and a regional institution to preserve the U.S. security umbrella, its markets, and support for democracy.[57] Economic objectives seemed subordinate to security issues in this policy shift. In the mid-1980s a U.S. foreign service officer pointed out the utility of "constructive misdirection" in pursuing a Pacific regional organization that would have a security dimension as well as the more widely desired economic one; he noted that the larger states could get leadership without the costs of asserting domination, while the smaller ones could get increased legitimacy.[58] Security issues were also highlighted by Senator Alan Cranston and Secretary of State James Baker, who were obviously concerned that peaceful Soviet overtures to participate in the Pacific economy and security system might draw positive responses.[59] Soviet calls for an all-Asia forum to counter the monopoly of the U.S. and Japan and the threat of a "mini-NATO" in the Pacific seem to have been taken as a sign of the erosion of American power.[60] Security issues, rather than the importance of the Pacific to the much vaunted U.S. trade/budget deficit problem, seem behind the new interest in Pacific institutionalization, this at a time when new and more powerful bilateral trade instruments were being deployed in Asia. A Pacific organization might stop the slide of United States power.

Second, the growth success of the developing Asian countries was fostering a change of relationships and values. By mid-1988 trade issues had multiplied to the point that the OECD began to treat the Asian NIEs as a collective "problem"; a series of meetings with the "dynamic Asian economies" was organized for 1989–90 and beyond to review the outlook and linkages between the two groups.[61] Some—South Korea, Hong Kong, and Taiwan—were clearly flattered by the attention; others felt threatened. Malaysia particularly worried that the "NIC" label would be used

[56] Richard Drobnick, "The International Economy at a Crossroads: American or Japanese Leadership? Multilateral or Preferential Trade Relations?" *Chief Financial Officer* (October 1987).

[57] U.S. Senate, Foreign Relations Committee, *Hearings*, "Pacific Basin Forum," 101st Cong., 1st sess., September 21, 1989, 16–17.

[58] Richard Baker, *Asian-Pacific Regionalism: New Structures, Old Impulses*, Occasional Papers (Honolulu: East-West Center, 1985), 16–18.

[59] Cranston in U.S. Senate, Subcommittee on East Asian and Pacific Affairs, *Hearing*, "America's Economic and Security Interests in the Pacific Rim," 101st Cong., 1st sess., February 14–16, 1989; Baker, "A New Pacific Partnership: Framework for the Future" (Address, June 26, 1989).

[60] Reported in *Straits Times* (Singapore), April 30, 1986, and *Tass* (Moscow), April 25, 1986.

[61] "OECD Looks East," *Far Eastern Economic Review*, March 31, 1988, pp. 48–49; "Clubbing Together," *Far Eastern Economic Review*, February 9, 1989, pp. 58–60.

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to stifle growth, and only reluctantly attended the meetings at an unofficial level.[62] But all found some common ground and interests with the club of industrialized countries. There was also a moderation of "Southern" values in some countries, as privatization and more liberal economic policies were adopted to cope with the difficulties of the 1980s.[63] Across the ASEAN membership, there was a shift away from the focus of managed dependence in the 1970s and toward regional integration and more orthodox economic policies.[64] The material and value gap had eroded somewhat from the more divisive 1970s.

The utility of ASEAN in fostering solutions for the increasingly pan-Pacific interests of its members also came into question. A major review of ASEAN's disappointing economic contributions in the 1980s, and an attempt to revitalize the association, was undertaken in the face of open skepticism on the part of many of its members.[65] Increasingly, members focused on broader arenas. Trade and economic diplomacy with the industrial states were brought to the center of Malaysia's foreign policy.[66] After 1985 Indonesia aggressively sought a foreign policy platform more in line with its size and strategic position; a new foreign minister appointed in 1988 was charged with raising Indonesia's profile.[67] The Thai government set its sights on forging a closer economic relationship with Burma and the Indochinese states to supplement those with ASEAN. A more outward focus increasingly prevailed.

Finally, the Pacific states were threatened by perceptions that the global trading system was devolving into exclusive blocs. The most serious was the image of a potential "Fortress Europe" after the 1992 Final Unification Act. But the U.S.-Canada Free Trade Pact, combined with President Bush's aggressive pursuit of a similar Mexico agreement, raised fears about the prospects of a North American free trade area. While all asserted that the purpose was to free, not restrict, trade, the reception in Asia has been profoundly skeptical.[68] The Indonesian foreign minister characterized the potential as one in which the developing

[62] Press reports, *New Straits Times* (Malaysia), May 27, 1989; author interviews.

[63] See "Privatization and Deregulation in ASEAN," special issue of *ASEAN Economic Bulletin* 5 (March 1989), ed. Ng Chee Yuen and Norbert Wagner.

[64] On the period of the 1970s, see Crone (fn. 36).

[65] See Donald Crone, "The ASEAN Summit 1987: Searching for New Dynamism," in Mohammed Ayoob and Ng Chee Yuen, eds., *Southeast Asian Affairs 1988* (Singapore: Institute of Southeast Asian Affairs, 1988).

[66] Reports in *New Straits Times* (Malaysia), July 29, 1985, June 1, 1986; and *Star* (Malaysia), October 8, 1987.

[67] The former minister, Mochtar, was replaced by Ali Alatas because of his inability to raise Indonesia's foreign policy profile sufficiently (author interview). See Alatas's interview in *Straits Times* (Singapore), September 3, 1988.

[68] See, e.g., Brian Mulroney, "Trade Outlook: Globalization or Regionalization," *Singapore Lecture* (Singapore: Institute of Southeast Asian Studies, 1990).

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countries would be left in an "inhospitable jungle, where the rule of the strongest would be the rule of the day."[69] At the same time, some were excited at the prospect of a Pacific group gaining new influence in the global order.

The combined shifts in power and values resulted in a far more receptive environment for a regional institution. This time the Australians led the charge, out of a conviction that a firmer attachment to Northeast Asia was essential to the success of their own economic future, one otherwise threatened by marginalization.[70] An editorial, "Australia's Best Hope—Joining the Right Club," noted that this "might not leave Australia totally friendless."[71] Closely assisted by the Australian PECC, Prime Minister Hawke embarked on almost a year of diplomacy to get a formative meeting for APEC in Canberra in November 1989.

The changed Pacific power distribution immediately affected the proposed membership in telling ways. In the first phase both Japan and Australia were reported eager to create just an Asian bloc as a counterweight to Europe and North America; some ASEAN members emphatically opposed the idea, while others were equally concerned about Japanese dominance and the "American problem."[72] This membership proposal was co-opted by Secretary Baker's own midyear tour, which cast the U.S. as a catalyst for cooperation, initially in economic affairs but eventually in security affairs as well.[73] Apparently, prior U.S. reluctance to so engage the region was overcome by the prospects of being left out and of being the target of such a bloc. The close economic linkages between the U.S. and other Pacific states, combined with the absolute size of the U.S. economy, essentially dictated that U.S. participation could not be denied. Despite America's relative decline, its absolute size was still sufficient to shape the outcome.

The North-South dimension also affected negotiations. ASEAN's initial participation was hesitant, with the economic ministers cautiously supportive after initial rejection. Some characterized the Canberra "exploratory" meeting as a "steamroller" over ASEAN caution. Malaysia, at the

[69] APEC, Joint Ministerial Press Conference, Singapore, July 31, 1990.

[70] See the major government report: Ross Garnaut, *Australia and the Northeast Asian Ascendancy* (Canberra: Australian Government Publishing Service, 1989); Richard Higgott, *The World Economic Order and the Trade Crisis* (Canberra: Australian Institute of International Affairs, 1987).

[71] *Australian*, November 9, 1989.

[72] See, e.g., *Straits Times* (Singapore), August 10, 1989; *Far Eastern Economic Review*, November 5, 1989; *Washington Post*, August 16, 1989.

[73] Baker's speech, "ASEAN: Challenges and Opportunities," Department of State *Current Policy No. 1190* (July 6, 1989); Richard Solomon, reported in *Straits Times* (Singapore), September 23, 1989.

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extreme, took no formal decision to participate in APEC and forced the postponement of the senior officials meeting after Canberra to signal displeasure with what they saw as the excessive speed of the process and concern about contrasting levels of development and the dominance of the rich.[74] Initially, ASEAN made a strong bid to be the core of any new organization, in order to preserve an element of Southern control. Considerable political concern about the erosion of ASEAN and about external dominance remain unaddressed and are central to subsequent attempts to reinvigorate and strengthen asean itself. The ASEAN members are loath to see their position as a "Southern" organization eroded.

A combination of cultural and power concerns produced the most serious challenge to APEC, in the form of Malaysia's proposal for an East Asia Economic group. The original notion, advanced at the end of 1990, was to include all of East Asia, from ASEAN through Japan (nominated as leader) in an Asian bloc that would counter Western blocs. The proposal is consistent with Malaysia's continuing Third World identification, expressed in Prime Minister Mahathir's leadership role in the formation of the Group of 15 for South-South Consultation and Cooperation, a move timed to be a political balance to APEC.[75] Motivating this effort is frustration with Western liberal values and their imposition on regional domestic affairs.[76] With outright U.S. opposition (on the premise that it was exactly the East Asian bloc that the U.S. had joined APEC to avoid), the proposal was diluted to an inchoate Asian caucus within the larger Pacific in order to gain diplomatic support around ASEAN and with Japan.

While issues of power and of conflicting cultures had been constraints during the APEC negotiations, neither any longer prohibited its formation. Until the 1980s Pacific institutionalization had been inhibited by U.S. indifference and by small-state hesitation to engage with the hegemon beyond existing bilateral ties. Power concerns were reinforced by culture clashes, especially along a North-South axis. With the shift in Pacific power structures, the smaller states sought to balance U.S. and Japanese strength in order to sustain their own advances, while the U.S. modified its previous opposition in order to avoid confronting a now formidable group. As for ASEAN members in particular, erosion of their organizations' centrality and lingering value incongruence made them hesitant to accept APEC. Threats of exclusive trade blocs in Europe and

[74] A meeting of senior officials. *Straits Times*, February 14, 1990; author interviews, Kuala Lumpur.

[75] The composition of this group was contrasted favorably with that of APEC in local reports: *New Straits Times* (Malaysia), June 2, June 4, December 11, 1990; author interviews, Kuala Lumpur, June 1991, March 1991.

[76] Author interviews, Kuala Lumpur, June 1991.

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especially in North America tipped the balance. For the U.S., the prospect of extensive erosion of security and economic positions in the Pacific induced new enthusiasm for regional cooperation. Despite widespread reluctance, a new organization became strategically rational for all.

IV. A Pacific Regime?

The final core APEC membership of the ASEAN members, Australia, Canada, China, Taiwan as Chinese Taipei, Hong Kong, Japan, New Zealand, South Korea, and the U.S., clearly establishes an exclusively Pacific organization with considerable potential as a bloc in the global economy.[77] Confined to the strongest of the Pacific economies, it is obviously designed to present a formidable face to other groups. The formal stand, that APEC is a bloc against "blocism," has not been persuasive. The high level of European concern about the formation of APEC reflected clear recognition of their potential.[78] APEC is a bloc, but is it also a regime?

It does have a wide agenda and supporting institutional structure. Work teams were set up to consider trade and investment data, trade promotion and cooperation, investment and technology transfer, human resources development, energy cooperation, telecommunications, and marine resource conservation; several other areas were also identified for potential adoption. Each team is led by several members—"shepherds" responsible for organizing the work. That APEC's structure is similar to ASEAN's as "a vast, decentralized, orbiting intergovernmental congress in intermittent session" reflects a common distrust of bureaucratic structures that might become independent of their state sponsors.[79] In 1992 Singapore was selected over two other locations as the site for a secretariat.[80] APEC has established mechanisms for a wide range of joint consultations, which is a significant shift from the prior bilateral system.

APEC also has a supporting community of sorts. PECC has an institutionalized role at the APEC table (as does ASEAN). Even more, PECC has been

[77] Despite numerous expressions of interest in joining, the organization is to be held at this size for the next several years. For a discussion of the formation of APEC, see Donald Crone, "The Politics of Emerging Pacific Cooperation," *Pacific Affairs* 65 (Summer 1992).

[78] E.g., *Far Eastern Economic Review*, July 20, 1989, p. 10: "Our message to Australia is a storm warning . . . we cannot accept a forum of this kind." *The Economist* sneered "Puffery in the Pacific," November 11, 1989, p. 15.

[79] Chng Meng Kng, "ASEAN's Institutional Structure and Economic Cooperation," *ASEAN Economic Bulletin* 6 (March 1990), 273.

[80] An ASEAN location was always most likely, as a concession from the industrial countries to Southern concerns about power disparities. Singapore, Jakarta, and Bangkok had each been proposed, with vocal support from PECC, ASEAN, and the Thai government, respectively. The Singapore location will further cement ties with PECC. Author interviews, Singapore, March 1992.

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tasked with handling some of the APEC work team projects directly, and it contributes indirectly to others, especially where political sensitivities on the part of governments are high. Government financial support for PECC has increased since the formation of APEC. By virtue of the national committees for PECC, the emerging Pacific network extends into the business and academic community; closer ties are possible with the Pacific Basin Economic Council and the Pacific Trade and Development Conference. Support for greater cooperation is notable among firms engaged in the Pacific economy, and of course their degree of engagement is increasing almost daily. The PECC substructure provides an avenue for interest-group politics that connects eventually with governments. While increasing Pacific economic interdependence did not cause institutionalization, it does support it and contribute transnational underpinning to an intergovernmental regime.[81]

The APEC ministers have so far taken only a few strong positions on common global issues. Of these they stressed one in particular: trade. Initially focusing on the GATT round, a special APEC meeting in Vancouver and an APEC caucus in Geneva were organized to "remind the GATT members of the serious implications" of a failure of the Uruguay talks.[82] Reduction of regional trade barriers formed a central element of the third meeting in Seoul, to the extent that consideration of a "Pacific Round" in the event of the failure of the Uruguay Round was undertaken. Free trade is one core value of APEC—preferably on a global basis but at least on a Pacific basis.

Expectations are that some of the joint work projects will shape and constrain the behavior of members. Some members explicitly see the trade project as a venue for considering certain aspects of protectionism and thereby modifying the final impact. The technology transfer project is viewed hopefully by those charged with soliciting desirable foreign investment. The Human Resources Development Initiative is a response to ASEAN notions that there should be a North-South resource transfer element to APEC, a principle that had been rejected by both the U.S. and Japan.[83] There were immediate gains to be captured by the formation of APEC, and further gains were anticipated.

Common norms for the functioning of the international economy do exist then. The general importance of a liberal international trade system

[81] The central voice of PECC consistently opposed any level of bureaucracy, even a secretariat.

[82] Quote from *Straits Times* (Singapore), August 1, 1990.

[83] The program was offered by Secretary Baker at the Singapore APEC II. *Straits Times* (Singapore), August 1, 1990. Japan will also participate.

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is one example. Regional trade cooperation as a means of maintaining Pacific growth has also been stressed. Another expressed norm, that of involving the private sector, reflects a relatively recent shift among the ASEAN countries away from their previous emphasis on state control and brings them in line with the more industrialized members. A common prescription for APEC is to use it to foster cooperative attitudes in other regions and to prevent a devolution to regional economic blocks. There is as well some commitment to foster the development of the less industrialized members of the organization.

One would expect cultural issues to influence decision-making procedures. An Asian preference for slowly attained consensus, for example, does not fit well with a Western orientation toward splitting the difference; nor does Western public diplomacy accord well with Asian quiet and indirect expression. Few examples exist so far within APEC, but one is telling. The initial admission of the three Chinese entities was favored by both the U.S. and Japan but opposed by some ASEAN members.[84] APEC waited for consensus, and the China issue was simply postponed until the third APEC meeting. The larger powers, that is, were constrained by APEC decision norms.

There are elements of a regime to APEC: there is a sense of common enterprise and a supporting organizational basis, but it could not be said to be a strong regime. The range of common principles and norms is too narrow, as it is divided by cultural traditions and fundamental interests along both North-South and East-West lines. There is a Pacific regime, but it is a weak one.

V. Conclusion

The stratification of power did influence the path of cooperation in the Pacific. By shaping the actors' strategic incentives, American relational predominance first inhibited, then facilitated, the formation of a Pacific regime. In a substantial change from the 1960s and 1970s, all participants now appear ready to defend their existing interests, both in the Pacific and more widely, through greater multilateral collaboration. Structural change affected regime formation. Yet because value differences—especially those with a cultural basis—persist among the region's states, a wide range of commonly accepted norms and principles remains elusive. Cognitive factors weaken the cohesion of emergent regimes.

[84] Several ASEAN members feared that China would become the central focus of APEC if admitted early. APEC, second ministerial meeting, *Joint Statement* (Singapore, July 31, 1990); author interviews, Bangkok and Kuala Lumpur, June 1991; Singapore, May 1991.

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Perhaps the Pacific experience can expand on our Atlantic knowledge. By extending analysis of power structures and their effects on regimes to a new part of the continuum, strengths and weaknesses in the theory are clarified. The Pacific case suggests that there is an optimum power stratification for regime formation that falls away on either side; too much, as well as too little, hegemony may affect cooperation negatively. In addition, while the role of culture and values has received some attention as a supporting element in international regimes, the Pacific case suggests that it can also have the opposite effect.

The course of the Pacific political economy has been different from that of the Atlantic, but instructively so. The general pessimism about the possibilities of increased cooperation among industrialized countries need not extend to other regions. The cautious institutional development in the Pacific suggests a brighter future for regional cooperation, for example, in the Americas. There the structural changes are broadly similar—moving away from the abject dependence that there too had fostered disengagement. But while the Pacific experience suggests that structural changes might now permit greater cooperation, it also points to the centrality of cognitive factors. Can the U.S. overcome its Eurocentric values sufficiently to engage both the Pacific and the Americas? Hegemony may now matter less, but the role of values and cognition in international cooperation needs to be better known. That may be a key feature to understanding the post–cold war order.

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CAPITALIST COALITIONS, THE STATE, AND NEOLIBERAL ECONOMIC RESTRUCTURING
Chile, 1973–88

By EDUARDO SILVA*

AFTER the breakdown of democracy in the early 1970s, Chile became famous for the draconian policies of economic stabilization and neoliberal restructuring that followed under General Augusto Pinochet. Those policies rapidly transformed Chile from a highly protected industrializing economy to an open, free-market economy based on agro-extractive exports—fruit, timber, and fish. Most studies favored statist and ideological explanations for that sharp change.[1] They argued that Chile's exclusionary military regime shielded highly ideological civilian technocrats from the resistance of industrialists and traditional grain-growing landowners—the presumed dominant factions of the upper class—as well as from organized labor. Indeed, Pinochet's autocratic system of one-man rule had concentrated power at the top to such a degree that it seemed as if the state had developed virtually complete autonomy from all social groups.[2] This set Chile apart from similar cases such as Argentina, Brazil, and Uruguay.

This article argues that a high degree of relative state autonomy and ideology, while necessary, is not sufficient to explain fully the change from import-substitution industrialization (ISI) to an open, free-market

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[1] For examples of the statist-ideological explanation in the Chilean case, see Alejandro Foxley, *Latin American Experiments in Neoconservative Economics* (Berkeley: University of California Press, 1983); Guillermo Campero, *Los gremios empresariales en el período 1970–1983* (Business associations between 1970 and 1983) (Santiago: ILET, 1984). Even studies that favor social forces fall back on statist arguments in the Chilean case. See Jeffry Frieden, "Winners and Losers in the Latin American Debt Crisis: The Political Implications," in Barbara Stallings and Robert Kaufman, eds., *Debt and Democracy in Latin America* (Boulder, Colo.: Westview Press, 1989).

[2] For the development of Pinochet's autocracy, see Arturo Valenzuela, "The Military in Power: The Consolidation of One-Man Rule in Chile," in Paul W. Drake and Iván Jaksic, eds., *The Struggle for Democracy in Chile, 1982–1990* (Lincoln: University of Nebraska Press, 1991).

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economy in Chile. A comparison across three distinct policy periods in authoritarian Chile reveals that shifting coalitions of businessmen and landowners, with varying power resources, also played an important part in the outcome. Moreover, because social forces mattered even in Chile, where explanatory factors of the statist approach seemed strongest, it would seem that their role elsewhere in Latin America would also warrant more careful examination. This applies as much to the comparable cases of authoritarian Argentina, Brazil, and Uruguay as it does to countries attempting neoliberal economic restructuring in the 1990s.

This approach does not set statist arguments against social coalition explanations for studying the rise and fall of capitalist coalitions in authoritarian Chile (and elsewhere). The question is not so much which factor is more important, but when and how different factors matter. That is because each is insufficient for explaining policy outcomes.[3] On the one hand, state structures do not give content to policies, and, although ideology does, the deeper issue turns on the factors that influence the triumph of one ideological perspective over another. After all, at any given moment there are competing ideologically anchored policy alternatives. On the other hand, social actors do not operate in an institutional vacuum. State structure influences which social actors participate in policy-making and under what conditions. Moreover, international factors must also be considered, because they play a permissive role. In closing off some options and opening others, they force situations to which state elites and social groups must respond.

Explaining Neoliberal Economic Restructuring: Social Coalitions, the State, and International Economic Change

In the mid-1970s several of the most developed South American countries—Argentina, Chile, and Uruguay—experienced deep economic, social, and political crises. During these upheavals, the military overthrew democratic governments and established authoritarian regimes that replaced ISI and the welfare state with neoliberal economic and social policies: organized labor was repressed; heavily protected domestic markets gave way to free trade; regulated financial and foreign exchange markets were liberalized; privatization of state enterprise and the dismantlement of the welfare state followed. In short, the market supplanted state intervention in the economy, except in labor relations. The neoliberals believed that by reducing the state, adhering to monetarism, and freeing

[3] For a similar view, see Thomas Risse-Kappen, "Public Opinion, Domestic Structure, and Foreign Policy in Liberal Democracies," *World Politics* 43 (July 1991).

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markets, they would be able to lick inflation, "get the prices right," reassign resources to export activities, and spur sustained economic growth.[4]

One explanation for neoliberal economic restructuring in the Southern Cone focused on the role of highly autonomous military regimes and their civilian technocratic allies. These studies stressed the foundational character of the neoliberal projects, meaning that they were efforts to reorganize society, economy, and politics in a fundamental way.[5] State elites turned to the market and authoritarianism literally to recast their nations and thereby overcome their crisis of modernization.

The emphasis on the role of the state and technocratic elites in these societal restructuring projects stemmed from a recognition that the state had to repress not only labor and political parties but also significant sectors of the upper classes. Thirty years or more of import-substitution industrialization had created entrenched private interests that favored the maintenance of high trade barriers and sectoral policies that shifted resources from agriculture, trade, and the financial sector to domestic industry. Moreover, given the change from rural to urban-industrial development between the 1930s and the 1960s, the industrial bourgeoisie was frequently considered to be the most politically significant fraction of the upper classes.

A second explanation for policy change focuses on the learning capacities of technocrats: they learn how to refine policy instruments and their mix in order to overcome previous shortcomings.[6] Of course, reducing the problem to this dimension assumes a high degree of state autonomy. From this perspective, then, policy shifts during Pinochet's dictatorship resulted from the pragmatic responses of technocrats to perceived failures; specifically, given the shortcomings of gradual adjustment (1973–75), policymakers adopted more radical measures. Similarly, once the defects of the previous policy package were manifest after 1981, policymakers moderated and regulated liberal reforms.

Both approaches emphasized the interests of state elites, their capacity to attempt a fundamental reorganization of their economies, societies,

[4] For a description of these policies, see Foxley (fn. 1); Joseph Ramos, *Neoconservative Economics in the Southern Cone of Latin America, 1973–1983* (Baltimore: Johns Hopkins University Press, 1986); Sebastian Edwards and Alejandra Cox-Edwards, *Monetarism and Liberalization: The Chilean Experiment* (Cambridge: Ballinger, 1987).

[5] For the foundational character of these regimes, see Manuel Antonio Garretón, *El proceso político chileno* (The Chilean political process) (Santiago: Facultad Latinoamericana de Ciencias Sociales, 1983); and William C. Smith, *Authoritarianism and the Crisis of the Argentine Political Economy* (Stanford, Calif.: Stanford University Press, 1989).

[6] For policy learning, see Peter A. Hall, *The Political Power of Economic Ideas: Keynesianism across Nations* (Princeton: Princeton University Press, 1989); Hugh Heclo, *Policy and Politics in Sweden: Principled Pragmatism* (Philadelphia: Temple University Press, 1987).

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and polities, and the conditions under which they do so. They fused the general characteristics of statist arguments—centralization of authority, insulation of technocrats from pressure groups, and ideological homogeneity among top policymakers—with the more specific and crisis-prone conditions of the Southern Cone of Latin America.[7]

Although these explanations underscore some of the key conditions that made neoliberal restructuring possible, they leave significant questions unaddressed. For all its utility, state structure cannot explain the content of policy. The problem is that the state structure approach, by its very nature, undervalues the fact that policy requires carriers. And although technocrats, their ideology, and their capacity to learn may give content to policies, to focus on them exclusively leaves a deeper question unanswered. What factors influence the triumph of one set of technocrats and their ideology over another? The question is relevant because there are always competing ideologically anchored policy alternatives. Why turn to neoliberalism instead of stressing economic stabilization, labor repression, and the "deepening" of industrialization as the bureaucratic-authoritarian regimes had in the 1960s?[8] Moreover, the assertion that policymakers learn underplays the political significance of the fact that major policy shifts are often accompanied by changes in technocratic personnel. Heated public policy debates, even within a narrow circle, frequently precede such changes, and it is recognized that military power holders usually appoint persons believed to be representative of particular groups to top technocratic positions.

Framed this way, a full explanation of the policy shift from import-substitution industrialization to neoliberalism and export-led growth in Chile and elsewhere also requires an examination of the social groups—however narrow—to which state elites turned for support. For in capitalist economies, where much of the productive apparatus is in private hands, state actors must find upper-class allies willing and able to re-

[7] Classic examples of the statist approach include Theda Skocpol, *States and Social Revolutions* (Cambridge: Cambridge University Press, 1979); Stephen Krasner, *Defending the National Interest* (Princeton: Princeton University Press, 1978); Judith Goldstein, "The Political Economy of Trade: Institutions of Protection," *American Political Science Review* 80 (March 1986).

[8] The neoliberal cases of the 1970s were different from the bureaucratic-authoritarian (BA) experiences of Brazil and Argentina in the mid-1960s. Although economic and political crises also contributed to their rise and they too emphasized labor repression and economic stabilization, they did not seek to reduce the state's role in the economy; nor did the BA regimes encourage a rapid shift of resources from import-substitution industrialization to agricultural-commodity export, or pursue extreme market liberalization. To the contrary, they sought to "deepen" industrialization, which required state-directed industrial policy. For a recent discussion of these differences, see Hector E. Schamis, "Reconceptualizing Latin American Authoritarianism in the 1970s: From Bureaucratic-Authoritarianism to Neoconservatism," *Comparative Politics* 23 (January 1991).

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spond to policy initiatives.[9] To argue, however, that shifting coalitions of capitalists and landowners are a necessary factor in the explanation of policy change does not mean that other factors are inconsequential. State structure, ideology, and international factors also played important roles in shaping the coalitions and policy. The main question is when and how external factors, domestic institutions, and social groups matter in such processes.[10]

Stephan Haggard provides a good point of departure.[11] Although he discusses the relationship between international, state, ideological, and class variables, he stresses the role of external and state structural factors. He holds that international conditions play a permissive role by opening some options and closing others; that is, it makes a difference whether the world economy is expanding, contracting, or in a state of crisis. Moreover, his work is sensitive to the importance of political change at the domestic level. He argues forcefully that state structure influences which social groups participate in policy-making and under what conditions (that is, with what institutional power resources).[12] If there is an abrupt change of political regime—say, from democracy to dictatorship—the range of policy experimentation during a period of economic crisis may be much greater because state elites have a freer hand in selecting social support bases. Haggard's argument implies that labor-repressive authoritarian regimes such as Chile's will tend to bar all but large-scale capitalists and landowners from the politics of economic policy-making. Under these conditions, the kinds of coalitions and policies that arise will be markedly different from those in which labor and the middle classes are significant actors.[13]

Haggard's observations with regard to how external factors and domestic institutions influence options for state elites are very useful. Echoing much of the Latin Americanist literature, however, he views capitalist and landowning elites as essentially passive actors—the recipients of state policy and at best only able to block policies that significantly threaten their interests. In short, Haggard never really shows how coa-

[9] For this view, see Charles E. Lindblom, *Politics and Markets* (New York: Basic Books, 1977).

[10] Recent scholarship in the field of Latin American politics has called for the development of approaches that tackle these theoretical problems. See Peter H. Smith, "Crisis and Democracy in Latin America, *World Politics* 43 (July 1991); and Schamis (fn. 8).

[11] Stephan Haggard, *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries* (Ithaca, N.Y.: Cornell University Press, 1990).

[12] For a similar view, see John Zysman, *Governments, Markets and Growth: Financial Systems and the Politics of Industrial Change* (Ithaca, N.Y.: Cornell University Press, 1983).

[13] For inclusionary and exclusionary regimes, see Alfred Stepan, *The State and Society: Peru in Comparative Perspective* (Princeton: Princeton University Press, 1978).

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litions affect policy.[14] What theories might allow a fuller grasp of the role that large-scale businessmen and landowners play in policy-making?

Many analysts underestimate the role of societal forces in the shift from import-substitution industrialization to neoliberal economic policies, for three reasons. First, the level of aggregation of the relevant classes is too high. As a result, they tend to assume that in labor-repressive authoritarian regimes industrialists are essentially the only relevant actors in the capitalist class. Second, they have a linear rather than relational conception of power between social groups and the state. They only take into account conflicts between the state and the group that is adversely affected (that is, industrialists or landowners). Consequently, they underestimate tensions among competing social coalitions and the state (that is, financiers, merchants, and landowners who support a policy initiative as opposed to manufacturers and labor who do not).[15] Third, studies that rely on state structural explanations usually consider only the links between *organized* business and the state in determining the extent to which state actors are insulated from societal pressure.[16]

The work of both Peter Gourevitch and Jeff Frieden provides a good starting point for overcoming these problems.[17] Each stresses the importance of disaggregating class-based groups.[18] Frieden offers useful obser-

[14] For an elaboration of this critique of Haggard, see Robert Wade, "East Asia's Economic Success: Conflicting Perspectives, Partial Insights, Shaky Evidence," *World Politics* 44 (January 1992).

[15] For a discussion of this view of power and its consequences, see Peter Swensen, "Bringing Capital Back in, or Social Democracy Reconsidered: Employer Power, Cross-Class Alliances, and the Centralization of Industrial Relations in Denmark and Sweden," *World Politics* 43 (July 1991); and Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Princeton: Princeton University Press, 1990).

[16] Studies that focus on organized business include Campero (fn.1); and Philippe C. Schmitter, *Interest Conflict and Political Change in Brazil* (Stanford, Calif.: Stanford University Press, 1971).

[17] Gourevitch, *Politics in Hard Times: Comparative Responses to International Economic Crisis* (Ithaca, N.Y.: Cornell University Press, 1986); Frieden, "Classes, Sectors and Foreign Debt in Latin America," *Comparative Politics* 21 (October 1988).

[18] Some Marxist and dependency school analysts have drawn distinctions between the national and the internationalized industrial bourgeoisie. They generally emphasize the degree to which domestic capitalists associated with transnational corporations, for example, in their licensing and credit arrangements and their willingness to form joint ventures. This distinction helped to explain the structural characteristics of dependent economies in the periphery and semiperiphery of the world economy and aided in assessments about the likelihood of progressive (or socialist) social and political change. Some studies also examined alliances between international finance and the internationalized bourgeoisie to explain the trend toward neoliberalism in Latin America. My analysis, while seeking to build on these insights, differs on several important counts. First, this article focuses on explanations for economic policy change, rather than on the structural characteristics of the economy and its implications for national liberation. Second, I examine a much broader range of dominant class fractions, including landowners. The Marxist and dependency approaches usually focus only on the industrial bourgeoisie and, in a few instances, the financial bourgeoisie. Third, I disaggregate class fractions more than the Marxist or dependency approaches. Because the

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vations about how the economic characteristics of firms influence the type of policies their directors will back: whether market-oriented or sectoral. He argues that holders of liquid assets (in banking, real estate, and trade) prefer the former and that holders of fixed assets (industry and landowners) favor the latter. That is because the former can adjust more quickly to market signals than the latter.

It is certainly important to know when firms are likely to back government policy with investment, and Frieden's disaggregation captures the economic interests of two polar types: industrial conglomerates that rely on high levels of protection and economic groups with a heavy concentration in highly mobile financial, commercial, and speculative assets. This method, however, underestimates the significance of how alliances of both liquid-asset holders and fixed-asset holders influence the policy demands of competing business coalitions.[19] One solution is to combine Frieden's insights with Gourevitch's approach to coalition building. That makes it possible to identify more nuanced economic interests and thus to unpackage more fluid and varied economic policy coalitions. The group that dominates the coalition sets the emphasis of overall policy demands.

One of Gourevitch's criteria for disaggregating social groups is to classify them according to the markets for which they produce, whether international or domestic. For Latin America the choice seems warranted given the nature of the two major competing developmental strategies since the 1930s: import-substitution industrialization behind high protective barriers (ISI) and open economies seeking to exploit their comparative advantages in agriculture and extractive industries. Because one of the central conflicts in shifts from ISI to open economies turns on the issue of trade, producers for domestic markets who are uncompetitive in world markets should favor protection, and groups tied to internationally competitive sectors should support more open economies.

Although Gourevitch's approach to disaggregation is broader and more flexible than Frieden's, the two are not incompatible. In fact, they

Marxist and dependency approaches examine a narrower range of dominant class fractions and because they tend not to disaggregate them, they have difficulty explaining differences in the degree, style, and substance of economic adjustment across countries and within them. I argue that explaining those outcomes requires, among other things, taking into account a much broader range of the bourgeoisie's class fractions and disaggregating them more. It allows us to uncover more fluid and varied coalitional possibilities, which help to unearth the social basis of economic policy changes even in extremely repressive capitalist states.

[19] The evidence presented in this article calls into question Frieden's argument that extreme class conflict produced a "Bonapartist" situation in which capitalists gave state elites a free hand in economic policy-making in return for order.

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complement each other nicely. By combining the two we can consider the policy stances of (1) capitalists with fixed assets in internationally oriented industrial and agricultural sectors (mining, fishing, logging, and fruits), as well as those with (2) fixed assets in industries that produce for domestic markets but are internationally competitive (mainly the food-processing industry). The policy preferences of these groups tend to be different from those of liquid-asset holders with strong connections to the international financial community; their preferences also differ from those of producers with fixed assets in internationally noncompetitive sectors in industry and agriculture (consumer durables, grains, and livestock). Fixed-asset international-market-oriented groups should support open economies but not oppose all sectoral policy. Fixed-asset domestic-market-oriented internationally competitive producers should favor sectoral policies but not be adamantly against gradual reductions in protection.

Having identified the relevant groups, their economic interests, and likely policy stances, the next task is to consider how shifting coalitions of those groups affect policy demands and content. Gourevitch argues that uncovering coalitions requires a close examination of policy debates and that an alliance's relevance to policy outcome depends on its existence before policy is announced. His work also suggests that business organizations are not necessarily the sole means of class representation; upper-class elites also articulate their economic interests through personalistic, ad hoc channels.[20] Finally, and here Gourevitch borrows from instrumentalist conceptions of the relationship between state and society, class background and economic interest may link key policymakers to shifting capitalist coalitions, which further connects coalitions to policy content.[21]

[20] This is highlighted in Gourevitch's treatment of Bismarckian Germany and the shift from free trade to protectionism in the 1890s.

[21] Some of the earlier literature on authoritarianism recognized that the military selected influential persons to direct government economic agencies because they presumably spoke for important business and landowning constituencies. But subsequent work rarely explored the class-based background of highly ideological ministers of economic affairs. And when it did, it failed to tie them to larger coalitions of capitalists and landowners both inside and outside business organizations. For the classic statement, see Juan J. Linz, "An Authoritarian Regime: Spain," in Erik Allardt and Stein Rokkan, eds., *Mass Politics: Studies in Political Sociology* (New York: Free Press, 1970). For work that connects ministers to class backgrounds, see Guillermo O'Donnell, *Bureaucratic Authoritarianism: Argentina, 1966–1973, in Comparative Perspective* (Berkeley: University of California Press, 1988), 72. For a study that does link capitalist coalitions to the state, see Sylvia Maxfield, *Governing Capital: International Finance and Mexican Politics* (Ithaca, N.Y.: Cornell University Press, 1990). For an instrumentalist view of the state, see Ralph Miliband, *The State in Capitalist Society: An Analysis of the Western System of Power* (New York: Basic Books, 1969).

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In sum Haggard, Frieden, and Gourevitch's work is clearly complementary, and their synthesis offers a fuller explanation of the shift from ISI to neoliberal restructuring and export-led growth in authoritarian Chile and, by extension, elsewhere. Haggard highlights the international and domestic institutional dimension of the problem and shows how these factors shape coalitions and the possibilities for economic change. But he underestimates the role that business and landowning groups play in giving content to policy. Frieden and Gourevitch fill in this gap. When social groups are disaggregated, more varied sources of support and opposition for competing policy options emerge. Moreover, Gourevitch stresses the importance of coalitions in giving content to state policy initiatives and suggests avenues for tracing the linkages between coalitions and the state.

This leaves a final question, which factor matters when? Chile under Pinochet suggests that authoritarianism excluded all but the top economic elite from the policy-making process. External factors, especially international capital flows, influenced which faction of capital dominated at a particular time. Pinochet and his policymakers listened to those capitalists because they seemed to hold the key to economic growth, a particularly important function since the regime was keen to establish policies designed to give capitalists full control over investment.

The Cases

Using this framework, a comparison across three distinct policy periods in authoritarian Chile—gradual, radical, and pragmatic neoliberal restructuring—reveals that in addition to such factors as international conditions, state structure, and ideology, capitalist coalitions also played a significant role in Chile's economic policy shifts.[22] As the next sections show, coalitional change accompanied policy change. In each period policymakers relied on a distinct capitalist coalition that helped to set the policy agenda and established privileged networks with state institutions and actors before the policies were adopted.[23] It is equally clear, however, that external conditions and state structure played an important role in shaping both the coalitions and their power resources.

[22] For a useful overview of these periods, see Carlos Hurtado, *De Balmaceda a Pinochet* (From Balmaceda to Pinochet) (Santiago: Ediciones Logo, 1988).

[23] For policy networks, see Peter Katzenstein, ed., *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States* (Madison: University of Wisconsin Press, 1978); G. William Domhoff, *The Power Elite and the State: How Policy Is Made in America* (New York: Aldine de Gruyter, 1990); Michael Mann, *The Sources of Social Power*, vol. 1 (Cambridge: Cambridge University Press, 1986).

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From Import Substitution to Gradual Adjustment, 1973–75

The economic and political crisis unleashed by Unidad Popular's attempt to introduce socialism in Chile between 1971 and 1973 essentially destroyed the policy coalition that had supported import-substitution industrialization (ISI) in democratic Chile. The core of the populist ISI coalition had consisted of manufacturers for domestic markets in tacit alliance with organized urban labor mediated by centrist middle-class political parties.[24] The socialist experiment, however, united capitalists, landowners, the middle classes, and their political party allies against labor, peasants, and leftist parties.[25]

The coup coalition agreed that it opposed socialist policies of nationalization, but it was not of one mind with respect to the economic development model that should follow. Throughout 1973, both before and after the overthrow of Salvador Allende, economic policy debates picked up where they had left off in the late 1960s: over whether to continue with an economic development model that gave industry high protection and thereby gradually stabilize the economy; to dismantle barriers to trade slowly and stabilize the economy in ways that threatened only the most inefficient; or to introduce draconian economic stabilization and market liberalization.

In a climate of mass mobilization, sporadic violence, and subsequent massive repression, these economic policy debates continued more or less behind closed doors. On January 10, 1974, the newly installed military government opted for the second policy alternative—a gradual approach to import liberalization and stabilization. The authorities decreed gradual tariff reductions from an average rate of 94 percent to 60 percent in three years; and devaluations of a unified exchange rate offered additional protection. The idea was to allow manufacturers to adjust to stiffer competition from regional markets (principally the Andean Common Market).

State structure explanations for this outcome would argue that authoritarianism robbed industrialists—the group most affected by trade liberalization—of the institutional levers they had relied on to defend their interests in democracy. As a result, state actors were able to open the economy to international trade over the objections of the groups most

[24] Foreign direct investment was an additional component of the ISI strategy.

[25] For representative samples of the extensive literature on those periods of Chilean history, see Brian Loveman, *Chile; The Legacy of Hispanic Capitalism* (New York: Oxford University Press, 1979); Barbara Stallings, *Class Conflict and Economic Development in Chile* (Stanford, Calif.: Stanford University Press, 1978); and Stefan de Vylder, *Allende's Chile* (Cambridge: Cambridge University Press, 1976).

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directly affected by the change. As will be seen, state structure was certainly an important factor. Nevertheless, such explanations underestimate the role of other capitalist and landowning groups in giving content to the gradualist policy option. This section traces the rise of a complex capitalist coalition that supported gradualism, its linkages to state institutions, and the way state structure helped to shape the coalition and its power resources.

Before proceeding, however, it should be noted that the technocratic learning approach is equally inadequate for explaining the gradualist policy choice. Such an approach would start from the assumption that authoritarianism insulated technocrats from pressure groups; it would argue that since the 1950s technocrats had learned that high levels of protection could not be maintained without causing serious distortions in Chile's economy. While this is plausible and contains a grain of truth, contradictory evidence indicates that technocrats did not have a free hand. To begin with, the technicians who designed the policy worked under the direction of high-level civilian advisers appointed by the military. These advisers were among the core leaders of the gradualist coalition. Moreover, many of the technocrats themselves had business links with economic groups that variously supported either gradualism or more rapid economic change. And finally, prominent members of the gradualist coalition had privileged access to policymakers.

What, then, was the composition of the gradualist coalition, and why did it dominate? The policy debates of the period reveal that a significant intersectoral coalition supported the gradualist option. Backing for continued high protection or drastic opening appeared scant. The business associations of manufacturers for domestic markets that could not compete with imports—metals, electronics, and textiles—supported continued high levels of tariff protection. However, industry's peak association (Sociedad de Fomento Fabril, SFF) joined the landowner's peak association (Sociedad Nacional de Agricultura, SNA) in support of a gradual reduction of tariffs; also in their camp were mineowners (Sociedad Nacional de Minería, SONAMI) and the large-scale commercial sector (Cámara Nacional de Comercio, CNC). As a result, the Confederation of Production and Commerce (CPC), the umbrella organization of the peak associations, threw its weight behind the gradualist approach.[26]

[26] For the minority policy position within the SFF I relied on personal interviews with Gustavo Ramdohr, former director of the metal-sector's association, and Orlando Sáenz, president of the SFF at the time. These and all other interviews took place in Santiago de Chile between July 1988 and June 1989. For the policy position of the SNA, see *El Campesino*, November 1973 and January–February 1974; for the CNC, see *Memorias Anuales*, 1973 and 1974; I derived SONAMI's position from a personal interview with Manlio Fantini, a member

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The gradualist coalition reflected the shifting nature of the relationship between those organizations. As a result of ISI policies, the SFF had become the most powerful of the large-scale business peak associations over the previous twenty years. After the coup a number of factors suggested to the SFF that compromise was preferable to confrontation with sectors that had historically preferred lower tariffs.[27] Moreover, in keeping with theoretical expectations, landowners (the second most powerful group) and mineowners supported sectoral policies for themselves, which probably eased acceptance of sectoral policies for industry as well. In short, the essence of the gradualist coalition was an accommodation. Internationally competitive industrialists producing for domestic markets dominated, but others were also included: internationally oriented producers in both fixed- and liquid-asset sectors (mineowners and merchants) and landowners who wanted a reduction of tariffs but sought protection for themselves through price floors and ceilings for their products.[28]

The SFF endorsed gradual tariff reductions for industry mainly because of domestic factors such as past policy and, especially, the change in type of government. To begin with, Allende's nationalization policy weakened industrialists economically and diverted attention from tariff policy. More importantly, a somewhat debilitated SFF now stood alone against other business and landowning groups that had long wanted to reduce high tariff barriers in order to increase investment in their own sectors. In the democratic period manufacturers for domestic markets had tacitly relied on a nonbusiness coalitional partner—organized labor—which benefited from increased employment. According to a former finance minister, the SFF had also been able to stave off government-sponsored tariff reform by threatening to incite labor unrest.[29] The Allende experience and the labor-repressive military government that followed destroyed those relationships. Thus, in the context of more or less unmediated relations with the state, the SFF found itself both bereft of alliance partners against other business and landowning sectors and

of SONAMI's elected board, and Carlos Rodríguez, SONAMI's director of planning. For the SFF's stance, see *El Mercurio*, December 15, 1973, and January 9, 1974, as well as SFF president Orlando Sáenz's speech in *Informativo SFF*, February–March 1974. For the CPC's policy position I relied on personal interviews with Manuel Valdés, organizer of the Second CPC Convention in December 1973, and media accounts of the convention in *El Mercurio*, *Ercilla*, and *El Campesino*.

[27] The fact that gradual adjustment stressed industrial development showed that the SFF still commanded great power. *Informativo SFF*, February–March 1974.

[28] Domestic market producers in agriculture opposed high tariffs because they diverted investment to industry.

[29] Author interview with Sergio Molina, minister of finance in the mid-1960s, Santiago de Chile, May 1988.

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with reduced economic power due to extensive nationalization between 1971 and 1973.

The SFF's isolation in the CPC over the tariff question combined with another factor to further ease acceptance of gradual adjustment. The majority of SFF elected members either worked in internationally competitive firms or had multiple economic interests, which eased the burden of adjustment for them. From 1973 to 1974, of a total of thirty-one elected members sixteen were occupied in internationally noncompetitive activities (metals, textiles, electronics, chemicals). However, twelve of those sixteen also had interests in competitive sectors (mostly food processing) that mitigated their need to give vigorous support to existing levels of protection. Furthermore, six had interests in commerce, finance, and agriculture; four were executives of the Banco Hipotecario de Chile (BHC), an internationalist conglomerate with a high concentration in liquid assets; two worked for multinational corporations.[30] Finally, manufacturers for domestic markets with economic interests firmly planted in uncompetitive sectors and that had votes in the SFF were a minority within the organization. Their complaints and demands went largely unattended because even when the issue of retaining high levels of protection gained a place on the agenda of the SFF's general council, it was voted down.[31]

Not only did the gradualist coalition of business peak associations take a policy stance, but it also collaborated with the military government and its civilian advisers in the formulation of the gradualist policy. In December 1973 the CPC held a convention to discuss policy recommendations. At that meeting the CPC agreed that it supported privatization, price deregulation, the creation of private capital markets, and gradual reduction in protection.[32] Then, during and after the convention private sector leaders met with government officials to discuss policy.[33] However, this was but the public side of a private, inner coalition that furnished many of the new military regime's civilian advisers. Gradualists controlled this coalition as well, and the network of relations between gradualists in the

[30] These and all other prosopographical data on SSF members and government officials were culled from SSF, *Memorias* (Annual report), selected years; Colegio de Periodistas, *Diccionario Biográfico* (Who's who), selected years; company annual reports; and *Directorio de Ejecutivos y Empresas* (Directory of firms and executives), selected years.

[31] Author interview with Gustavo Ramdohr, former official of the metallurgical-sector association, *Asociación de Industrias Metalúrgicas*, Santiago de Chile, 1988.

[32] Accounts of the convention are from *El Mercurio*, *Ercilla*, *El Campesino*, and author interviews with Jorge Fontaine, president of the CPC at the time, and Manuel Valdés, vice president of the CPC and the principal organizer of the business summit. The interviews were conducted in Santiago, Chile, on August 6, 1989, and March 29, 1989, respectively.

[33] Author interview with Valdés (fn. 32).

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public and private coalitions reinforced their dominance over extreme protectionists and radical internationalists alike.

In the newly installed authoritarian regime, groups that had direct access to power holders (the military and well-placed civilian authorities) were privileged over those that did not enjoy those connections. The distribution of civilians in top economic policy-making ministries and advisory positions clearly reflected the dominance of gradualists within the policy coalition. This heavily influenced support for the gradualist option over either rapid trade liberalization or continued high levels of protection. That the military relied on gradualists was no accident. They had controlled both the business mobilization against Allende—led by the Monday Club—and the development of a postcoup economic program, the Brick, that the military had commissioned from the Monday Club before the coup.[34]

The economic interests of the regular members of the Monday Club and the Brick reflected the accommodation of economic interests at the core of the gradualist approach: a coalition dominated by internationally competitive producers for domestic markets with internationally oriented sectors, in which the former dominated. The Monday Club and the Brick were controlled by businessmen linked to the Edwards conglomerate; executives from the BHC economic group participated as well.[35] The key lies in the economic composition of the conglomerates—the degree to which they were involved in industrial sectors that were either internationally noncompetitive or competitive as opposed to the degree to which they focused on production for international markets (mining, fishing, logging) and liquid-asset sectors such as banking, insurance, real estate, and commerce. It must be stressed, however, that the difference between these and other important conglomerates was a matter of degree, rather than absolute. In other words, although the conglomerates were clearly weighted in one direction or another, many of

[34] For the Monday Club and the Brick (*El Ladrillo*), see Philip O'Brien, *The Pinochet Decade* (London: Latin America Bureau, 1983); Arturo Fontaine Aldunate, *Los economistas y el presidente Pinochet* (The economists and President Pinochet) (Santiago: Editorial Zig-Zag, 1988); Ascanio Cavallo, Manuel Salazar, and Oscar Sepúlveda, *La historia oculta del régimen militar* (The hidden story of the military regime) (Santiago: Editorial La Epoca, 1988).

[35] Of the Monday Club's seven regular members, five were top executives of the Edwards conglomerate and two were from the BHC conglomerate. Of the Brick's ten regular members, three each were at the Edwards and BHC conglomerates. The other four were Christian Democrat economists and former Central Bank officials during the Eduardo Frei administration (1964–70). The Christian Democrats participated in the Brick in a subordinate role because that was their position within the larger coup coalition. For their role in the breakdown of democracy, see Arturo Valenzuela, *The Breakdown of Democratic Regimes: Chile* (Baltimore: Johns Hopkins University Press, 1978).

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them controlled firms that produced for both international and domestic markets, and in both fixed and liquid-asset sectors.[36]

In 1970 the Edwards group could be classified as a domestic-market-oriented but internationally competitive industrial conglomerate. This meant that it could adjust with relative ease to a gradual opening to external competition. Thus, while roughly half of the companies it controlled were in the industrial or fixed-asset sectors, they were mostly in the food-processing, beverage, and printing industries—all of which could compete with imports. The other half of the conglomerate's companies were in liquid-asset sectors (banking, insurance, and real estate), further enhancing its ability to adjust to gradual change. Its flagship daily and Chile's leading conservative newspaper, *El Mercurio*, backed the gradualist approach.[37]

By comparison, internationalist conglomerates such as BHC and others were qualitatively different. They tended to concentrate in liquid-asset sectors such as finance and trade and in primary-product export industries, with a third or less of their firms in manufacturing for domestic markets. The BHC group, which formed in the late 1960s, leaned heavily

[36] Conglomerates were categorized according to the concentration of companies in various economic sectors. Fixed-asset conglomerates producing for domestic markets had about half of their companies in such sectors. Whether they were competitive or not was determined by the industrial sector the company was in, not by the performance of the individual firm. The criteria for the international competitiveness of sectors were taken from Guillermo Campero and José Valenzuela, *El movimiento sindical en el régimen military chileno* (The union movement in Chile's military regime) (Santiago: ILET, 1984). By contrast, internationalist conglomerates had about two-thirds or more of their companies distributed between sectors that produced for export and the liquid-asset sectors—finance, insurance, trade, and real estate.

The lack of systematic data precluded categorizing conglomerates on the basis of assets rather than firms. However, the system employed here allows one to appreciate more fully the influence of financial institutions in conglomerate strategy, which is out of proportion to a financial firm's assets. Moreover, some may feel that the cutoff for fixed-asset domestic-market-oriented and internationalist conglomerates is too loose, but the initial policy positions largely correspond to the expectations raised by the criteria adopted in this article. According to the available data, unequivocally internationalist conglomerates (particularly those most intimately linked to the policy process) favored a radical policy. The two conglomerates closer to a fifty-fifty split between the two major orientations could, in principle, go either way: support radical change or the status quo. However, they initially did what their composition suggests, they backed the middle path—a gradual adjustment to export-led growth—rather than either extreme. As one would expect, both later shifted their holdings to conform to an unequivocally internationalist profile. Conglomerates that were 100 percent fixed-asset and domestic-market-oriented in their production (with 50 percent or more of firms in internationally uncompetitive sectors, particularly metalworking and electronics) supported continued high protection. Among other factors, they simply had too much at stake in the uncompetitive sectors and lacked financial institutions to make production shifts easier.

[37] *El Mercurio*, October 26 and December 15, 1973, and January 9, 1974. The Matte group was another prominent competitive domestic-market-oriented conglomerate, and its directors favored gradual adjustment as well. Jorge Alessandri, the chairman of the board, had sponsored a gradual trade liberalization project during his tenure as president of the republic between 1958 and 1964.

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to liquid assets: in 1974 fully two-thirds of its eighteen companies were in the financial sector (banking, investment, and insurance), and another tenth in trading firms. Only about a fifth were in sectors that produced for domestic markets (mostly in internationally uncompetitive industries). In accordance with Frieden's observations, with so much invested in liquid assets it was relatively easy for the BHC group to adjust to rapid trade liberalization, particularly in relation to most traditional conglomerates. In other words, a more rapid opening to external trade would be a vehicle for conglomerate expansion at the expense of other economic groups.[38] Key backers of radical neoliberalism in the Monday Club and also later on were linked to the BHC conglomerate and its 1974 spin-off, the Cruzat-Larraín group.[39] The fact that its leaders were subordinate to Edwards group members in the Monday Club and the Brick helps to explain why the gradual approach prevailed at the time.[40]

In addition to dominating the Monday Club and the Brick, many of the leading civilian authorities whom the military junta appointed in 1973 were also linked to the Edwards conglomerate.[41] This further strengthened the gradualists. For example, Fernando Léniz, who became economics minister in October 1973, was a prominent businessman with close ties to the Edwards and Matte conglomerates. Roberto Kelly, with links to the Edwards conglomerate, became director of the Oficina de Planificación Nacional (ODEPLAN), the government planning agency. Orlando Sáenz became coordinator for Chile's foreign-debt renegotiation team. He had participated in the Monday Club, headed Edwards conglomerate firms, and was a powerful figure in the SFF, which under his direction led the private sector's struggle against Allende.

Under them, the radical Chicago Boys—monetarists who had studied

[38] Not all internationalist conglomerates were so heavily weighted toward liquid assets, although that was true of those most connected to the government until 1982. Others had a higher proportion in primary product export and trade. This was particularly true of the Angelini, Hochschild, and Menéndez groups.

[39] This was particularly the case of Manuel Cruzat, who, along with his lieutenants, later had privileged access to policymakers. Cruzat split off from the BHC group (which was left under the control of Javier Vial) and quickly built an economic empire to rival it.

[40] A third type of conglomerate, whose leaders did not participate in the precoup stages of policy-making for a post-Allende era, were economic groups with half or more of their companies in internationally uncompetitive industrial sectors. In the more extreme types, such as the well-known Lepe and Briones groups, they had no investments in liquid-asset sectors. As predicted by both Gourevitch's and Frieden's system of disaggregation, these groups supported continued high protection because they found it very difficult to adjust to sudden change. Their position found little favor in policy-making circles. Their directors were not included in the Monday Club or the Brick; they were not favored with high office; and they found little support in the SFF.

[41] This does not mean that the persons who then occupied government posts were necessarily involved in the Monday Club and the Brick. Nevertheless, their appointment reflected the political power of the Edwards group.

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neoclassical economics at the University of Chicago with Milton Friedman and Arnold Harberger—became important advisers in the Ministry of Economy and ODEPLAN.[42] These men had connections to both the internationalist conglomerates (BHC) and the more traditional ones (Edwards). Meanwhile, Christian Democratic technocrats, who also favored gradualism, were appointed to the Central Bank and the Budget Office. Most of these radical Chicago Boy and Christian Democrat appointees had participated in the Brick.

Not all leading appointees had such close ties to conglomerates involved in the Monday Club and the Brick, although they too reinforced the dominance of the gradualist coalition in government. Raúl Sáez, for example, who headed the military government's economic advisory team after the coup, was respected in ISI business circles because he had been one of the first directors of the state's Development Corporation (CORFO). Aside from being a government holding company for many state enterprises, CORFO had also provided seed money for joint ventures between the public and private sectors, as well as credit for industrial development.

As a result of these networks, the leaders of the business and landowning associations—the outer, public, gradualist coalition—found at the highest level of government congenial counterparts with whom to exchange views on economic policy. According to prominent participants of that period, such as Orlando Sáenz (SFF) and Manuel Valdés (CPC), major policy disagreements between big business and government officials did not for the most part exist.[43] Moreover, the ministries were very receptive to businessmen who sought to iron out small differences or to gain some advantage. Of course, this did not mean that differences over policy between the private and public sector were entirely absent. The privatization of textile firms, price liberalization, and financial sector reform produced friction at times. Moreover, complaints mounted as the Chicago Boys gained control over the economic policy-making apparatus and more business groups found themselves excluded.

From Gradual to Radical Neoliberal Adjustment, 1975–82

The gradualist period largely conformed to classical observations about authoritarianism in Latin America. On the one hand, some of the major groups that supported the coup—the middle classes and small and

[42] For a study of the origins and networks of the Chicago Boys, see Juan Gabriel Valdés, *La escuela de los Chicago: Operación Chile* (The Chicago school: Operation Chile) (Buenos Aires: Grupo Editorial Zeta, 1989).

[43] Author interviews with Orlando Saenz and Manuel Valdés, Santiago, Chile, September 17, 1988, and March 21, 1989.

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medium-size business—found to their dismay that government policy ignored their interests.[44] On the other hand, large-scale capitalists and landowners managed to reach an accommodation over economic policy. This behavior of the upper classes corresponded to well-established interpretations of intersectoral relations in Latin America.[45] Those theories held that the patterns of Latin American economic, social, and political development led economic elites to settle their differences in a cooperative rather than a conflictive way. Analysts concluded that the lack of conflict among upper-class social groups, for example, between landowners and industrialists, was partially responsible for the region's underdevelopment. The bourgeoisie refused to play its historical transformative role.

However, the initial accommodation among large-scale capitalists and landowners did not last long. A lack of cohesiveness in the gradualist coalition contributed to the abrupt end of gradual adjustment in mid-1975. Between 1974 and 1978 Chilean capitalists and landowners—contrary to the expectation of the theories discussed above—behaved in a most unaccommodative fashion. The radical internationalist groups (who had been marginalized in 1973) challenged the more moderate elements of the gradualist coalition and won. They supported the twin underpinnings of what was to become the radical neoliberal experiment: drastic deflation and rapid economic transformation via sharp reductions in protection for industry.[46] The new policy was radical in the speed and thoroughness with which stabilization and market liberalization policies were applied, both in relation to the preceding period and in comparison with similar cases in Argentina and Uruguay. It was also radical in the degree of its insensitivity to adversely affected economic sectors, including many capitalists and landowners.

The key question for this period was, what conditions allowed powerful but heretofore marginalized capitalist groups to dominate economic policy-making? Changes in two major power sources—economic and state institutional—as well as the network of relations between them, opened a window of opportunity for the radical internationalists. In other words, deepening authoritarianism had a profound influence on

[44] Guillermo O'Donnell, "Tensions in the Bureaucratic-Authoritarian State and the Question of Democracy," in David Collier, ed., *The New Authoritarianism in Latin America* (Princeton: Princeton University Press, 1979).

[45] For this view of upper-class behavior, see Charles H. Anderson, *Politics and Economic Change in Latin America* (New York: D. Van Nostrand, 1967); Schmitter (fn. 16); and Maurice Zeitlin and Richard E. Ratcliff, *Landlords and Capitalists: The Dominant Class of Chile* (Princeton: Princeton University Press, 1988).

[46] For those policies, see Edwards and Edwards (fn. 4). This cite and also Foxley (fn. 1) and Ramos (fn. 4) describe the overall economic consequences of each set of reforms.

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coalitional shifts. Nevertheless, to understand the content of the policies that followed, it is necessary to examine the composition of a narrow but powerful coalition that not only supported them but also aided technocrats in their design. The fact that radical neoliberal policies did not survive the collapse of those groups underscores their significance, especially since the characteristics of the political regime that spawned them remained constant. By the same token, interpretations that focus on the learning ability of technocrats are also inadequate. They do not take into account the political significance of either the personnel changes that followed or the intense struggle for influence on the part of groups that had advocated more radical measures since the late 1960s.

International and domestic factors combined to strengthen and embolden radical internationalists because they increased their economic and political sources of power. Two external factors greatly favored them. One was a shift in the source of foreign savings for investment from multilateral institutions to private commercial banks.[47] The other was the appearance of petrodollars and the beginning of a period of great international liquidity. These factors gave the radical international conglomerates an enormous advantage. They had privileged access to international banking at a time in which Chile was starved for foreign exchange—its reserves were dangerously low—and the country was in a severe credit crunch.[48] Moreover, ISI industrialists, the ones most interested in maintaining gradual adjustment to a more open economy, by and large did not have the same access. In other words, the radical internationalists were in a better position to contribute to foreign exchange reserves; thus, because of their contribution to economic stability, they were more attractive to the military.

These international economic conditions, while important, were nevertheless too diffuse to explain the extraordinary triumph of radical internationalists. Past policies—specifically Unidad Popular's relatively widespread nationalization of large-scale business and banking—had weakened ISI industrialists greatly. This opened the way for a reorganization of capital that was quite distinct from similar cases.[49] After the

[47] Stephany Griffith-Jones and Osvaldo Sunkel, *La crisis de la deuda y del desarrollo en América Latina: El fin de una ilusión* (The Latin American debt crisis: End of an illusion) (Buenos Aires: Grupo Editor Latinoamericano, 1987).

[48] Company annual reports of key financial institutions revealed that key officers had been employed by Citibank in Chile. The concentration of financial intermediation of foreign loans is a testimony to their privileged position. See Fernando Dahse, *El mapa de la extrema riqueza* (The map of extreme wealth) (Santiago: Editorial Aconcagua, 1979).

[49] It could be argued that, compared with Argentina and Uruguay, nationalization and land reform under Allende set in motion uncharacteristically severe conflict among busi-

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overthrow of Allende, the privatization of firms, a deep recession in 1975–76, and deregulation of the financial system allowed internationally connected financiers (key radical internationalists) to control leading Chilean firms inexpensively.[50] Hence, radical internationalists pushed harder for more draconian market liberalization because they saw it as an opportunity to increase their economic empires at the expense of other conglomerates that did not have access to international or scarce domestic savings. By the end of 1977 radical internationalists had built conglomerates that were concentrated in liquid-asset sectors; about a fifth of their other activities were in internationally competitive manufactures for domestic markets. These internationalist conglomerates soon overshadowed the economic groups that had supported gradualism.

The radical internationalist conglomerates of key importance to policy-making during this period were the Cruzat-Larraín and BHC economic groups.[51] In 1974, of Cruzat-Larraín's eleven firms, roughly two-thirds were in the financial or primary product export sectors; and a quarter were in externally competitive domestic-market-oriented firms. The rest were in noninternationally competitive manufactures. By 1977 both BHC and Cruzat-Larraín had amassed control of over twice as many firms as their closest competitors (sixty-two and eighty-five, respectively). In each, two-thirds of those companies were in financial and internationally oriented activities—one-third in finance and the other third in primary product export industries and international commerce. Approximately one-fifth of the remaining companies were in internationally competitive manufactures for domestic markets. Moreover, during this period the Edwards group shifted its composition to one that conformed more closely to the characteristics of internationalist conglomerates. By the end of 1977 almost three-quarters of its thirty-four companies were in liquid-asset sectors, and the rest were in internationally competitive domestic-market-oriented industries. None were in noncompetitive ar-

nessmen and landowners in authoritarian Chile. The other cases lacked that experience, and their economic openings were more shallow and less sustained.

[50] For an account of this process, see Dahse (fn. 48); and Andrés Sanfuentes, "Los grupos económicos: Control y políticas," *Estudios Cieplan* 15 (1984). Moreover, when financial sector reform was on the policy agenda, the radical Chicago Boys who controlled the Central Bank had close business ties to the internationalist conglomerates. They invited executives from those conglomerates to participate in the discussions. These data are from a personal interview with Juan Villarzú, budget director at the time, and Banco Central de Chile, *Estudios monetarios III: Seminario de mercados de capitales* (Monetary studies III: Seminar on capital markets) (Santiago: n.p., 1974). For a description of how the Chicago Boys took over key offices from more moderate persons, see Verónica Montecinos, "Economics and Power: Chilean Economists in Government, 1958-1985" (Ph.d. diss., University of Pittsburgh, 1988); and Fontaine Aldunate (fn. 34).

[51] The Cruzat-Larraín conglomerate was born of a split in the BHC in 1974.

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eas. In the process, the Edwards group forged close business ties with Cruzat-Larraín, and in early 1975 it began to support radical neoliberal policies in editorials of the conservative newspaper *El Mercurio*, an Edwards group daily.[52]

The comparative economic weakness of ISI industrialists emboldened radical internationalists operating in a context of growing economic opportunity to confront the gradualists as early as mid-1974. Nevertheless, the extremists' economic strength did not suffice to ensure victory. Parallel changes in state organization opened up chances for the establishment of new networks between economic and state power sources.

Between 1974 and 1978 General Pinochet gained ascendancy within the military junta and personalized his power. As his star rose, he formed increasingly tight links with the Chicago Boys.[53] The Chicago Boys, however, were not just a castelike group of neoliberal technocrats as they are often portrayed. Many of the key figures had close ties to ever more powerful radical internationalist conglomerates that were gaining coherence through their corporate acquisitions strategies. By embracing the Chicago Boys, Pinochet formed an alliance with ideologues and conglomerates that controlled the most dynamic sectors of the economy; as a result they were able to sustain radical neoliberal policies.

The internationalist conglomerates' first victory came in April 1975, with the appointment of Sergio de Castro to the Ministry of Economy, Pablo Baraona as president of the Central Bank, and Francisco Soza as vice president of CORFO. All had close business and/or personal ties to either the Cruzat-Larraín or the BHC internationalist conglomerates. De Castro was an intimate friend of Manuel Cruzat, one of the two major figures of the Cruzat-Larraín economic group.[54] By the same token, Soza and Baraona were also on the board of directors of prominent Cruzat-Larraín companies. Cauas, who continued as minister of finance and sponsored drastic deflation, became the president of leading Cruzat-Larraín-controlled financial institutions and served on the board of directors of many Cruzat-Larraín companies.

These linkages gave the top directors of the radical international con-

[52] To give another perspective on the importance of these conglomerates, they controlled the lion's share of the financial system (and therefore of international financial intermediation), as well as a high proportion of the assets of the 250 largest Chilean companies. For example, by the end of 1977 the BHC group alone controlled 38% of private sector banking in Chile; Cruzat-Larraín, 2%; and Edwards, 7%. Moreover, of the total assets of Chile's largest 250 companies (about U.S. $3.8 billion) Cruzat-Larraín alone controlled 25%, BHC 13%, and Edwards 3%.

[53] For Pinochet's rise to power, see Valenzuela (fn.2).

[54] Many interviewees, such as Orlando Sáenz, Juan Villarzú, and Andrés Sanfuentes, mentioned this fact.

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glomerates, especially Cruzat-Larraín, privileged access to policymakers. As one key participant during this period confided, this group of influential businessmen often discussed the fine points of policy reform with the policymakers, and when the dwindling nonradical internationalist members of the government's economic team objected to their presence, the Chicago Boys shrugged off their protests.[55] These businessmen not only helped to formulate policy but also played a vital role in the process of policy implementation. They had an aggressive strategy of corporate expansion and quickly rationalized their holdings in manufactures for domestic markets in order to make them more competitive with imports. Their actions promoted a rapid-growth sector for the Chilean economy, to which the authorities could point in order to blunt critiques of their policies.[56]

Radical neoliberal policies followed quickly on the heels of those new appointments. Drastic deflation, an acceleration of tariff reductions, and rapid privatization began in the period April through July 1975. As more Chicago Boys and their sympathizers gained high office in the next years, and as the internationalist conglomerates expanded, more neoliberal policies followed. For example, in 1976 de Castro and Baraona became ministers of finance and economy, respectively. The new president and vice president of the Central Bank, Alvaro Bardón and Sergio de la Cuadra, were also radical Chicago Boys with business connections to the international financial community. In 1978 the new minister of agriculture, Alfonso Marquez de la Plata, was also on the board of an important Cruzat-Larraín group company. By 1979 Chile had a flat tariff rate of 10 percent (very low by Latin American standards) and a fixed exchange rate of thirty-nine pesos to the dollar.

Pinochet and the radical internationalists served each other well. The radical internationalists had been in sharp conflict with the moderate groups of the gradualist coalition since the 1960s.[57] Radical internationalists needed Pinochet in order to impose their extreme neoliberal policies. By the same token, Pinochet needed the radicals to consolidate his power. They opposed a significant sector of the industrial bourgeoisie and the landowning class that favored either a relatively rapid return to democracy or the creation of a corporatist political regime to replace the

[55] Author interview with Juan Villarzú, budget director, 1974–75, Santiago, Chile, December 12, 1988.

[56] Author interview with Andrés Sanfuentes, an early civilian economic adviser to the military government, Santiago, Chile, March 12, 1989.

[57] The first big public outburst of this conflict occurred during Jorge Alessandri's 1970 presidential campaign. Sergio de Castro, a campaign adviser, wanted to develop a radical neoliberal economic platform. Cooler heads prevailed.

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personalist dictatorship.[58] As a result of this symbiotic relationship, a tight network formed between the radical internationalists, with their increasing economic power (which offered the promise of economic growth), and Pinochet, with his expanding sources of political power. This network displaced the one that the gradualists had formed in 1973 with the broader military movement and junta. With the triumph of the highly centralized authoritarian regime of Pinochet and the radical coalition, the Chicago Boys were able to impose their policy option and ignore pressure from business peak associations that defended the more gradual approach.

From Radical to Pragmatic Neoliberal Policies, 1983–88

In the previous two periods domestic, economic, and political crises had had a more immediate influence on the building and unraveling of capitalist coalitions than did changing international economic conditions, although the latter were not insignificant. In 1982 the situation reversed dramatically. An external economic shock was the main catalyst of the coalitional shifts that accompanied the replacement of radical neoliberalism with a more pragmatic neoliberalism between 1983 and 1988. The pragmatic neoliberal model tolerated reflationary policies, and economic restructuring was no longer carried out at the expense of the industrial sector.[59] In other words, pump priming and industrial policy became part of the policy package.

The fact that policy instruments in the pragmatic neoliberal period exhibited greater flexibility and nuance than in the radical neoliberal period led some to argue that this policy shift largely resulted from learning on the part of policymakers. Again, such assertions contain a grain of truth. But they underestimate the political significance of the fact that those policy refinements also responded to intense business pressure. Beginning in 1982 the CPC repeatedly demanded that the government negotiate policies with it along the lines of those associated with the pragmatic neoliberal approach, which state elites responded to later in 1983. Of course, some capitalist and landowning groups—those whose interests the radical neoliberal project had ignored—had been advocating pol-

[58] Author interview with O. Sáenz (SFF) and Guillermo Elton (CNC), Santiago, Chile, September 17, 1988, and March 13, 1989, respectively; Campero (fn. 1).

[59] For a further elaboration of the pragmatic neoliberal model, see Eduardo Silva, "The Political Economy of Chile's Regime Transition: From Radical to 'Pragmatic' Neoliberal Policies," in Drake and Jaksic (fn. 2). See also Laurence Whitehead, "The Adjustment Process in Chile: A Comparative Perspective," in Rosemary Thorp and Laurence Whitehead, eds., *Latin American Debt and the Adjustment Crisis* (Pittsburgh, Pa.: University of Pittsburgh Press, 1987).

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icy reforms along the lines of pragmatic neoliberalism since the middle of the 1970s. The fact that state structure remained largely unchanged underscored the relevance of the coalition's efforts.

This section considers two questions. First, what was the role of external economic shocks in the unraveling of the dominant radical coalition and the formation of a rival pragmatic coalition? More than perhaps at any other time, Chilean businesses turned to their peak associations to forge an alternative economic program and to lobby the government to negotiate with them. In the process, they influenced institutional changes that broadened their access to the state, and thus they began to participate formally in economic policy-making. Second, how did the radical coalition's economic weakness, coupled with the threat of a broader interclass coalition between the pragmatic coalition and middle class, influence Pinochet's decision to abandon radical neoliberal policies? In other words, the pragmatic coalition shaped policy agendas but required political power to implement policy; Pinochet in turn needed the solid support of the upper class to remain in power.[60]

By 1980 high levels of international liquidity had drawn skeptical business and landowning groups to the extreme neoliberal coalition that had at its core the radical internationalist conglomerates. A flood of foreign savings during that period fed an economic boom that helped to sustain social groups excluded from the policy process. Easy credit allowed producers for domestic markets to overcome the negative effects of a 10 percent flat tariff rate. They borrowed to expand, diversify, or survive in an atmosphere of prosperity. As never before, the middle class borrowed cheap dollars and consumed goods and services that had been the preserve of upper classes.[61]

The international debt crisis of the early 1980s ripped asunder the broader coalition that radical internationalists had managed to form with most sectors of capital and landowners.[62] In 1982 the debt crisis contributed to a collapse of the Chilean financial system, the economy plunged as production stopped (GDP fell 14 percent), unemployment soared to over 25 percent.[63] The economic debacle had two immediate effects. First, the radical conglomerates that stood at the core of the coalition contributed

[60] For analyses that stress the importance of splits at the top in political change, see Skocpol (fn. 7); Douglas Chalmers and Craig Robinson, "Why Power Contenders Choose Liberalization," *International Studies Quarterly* 26, no. 1 (1982); O'Donnell (fn. 44).

[61] For an overview of these processes, see Foxley (fn. 1). Firm behavior was gleaned from personal interviews with executives and selected company annual reports.

[62] For the Latin American debt crisis, see Stallings and Kaufman (fn. 1); William L. Canak, ed., *Lost Promises: Debt, Austerity and Development in Latin America* (Boulder, Colo.: Westview Press, 1989).

[63] For the 1982–84 economic crisis, see Edwards and Edwards (fn. 4).

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to the economic crisis but also fell victim to it. The directors of these economic groups led by financial institutions had built their empires on highly leveraged buyouts and were dependent on ample international liquidity for their operations. When the flow of foreign savings dried up, they ran into cash-flow problems and raised interest rates to usurious levels in order to capture domestic savings. In January 1983, after cabinet shuffles and failed government attempts to lower interest rates, Minister of Finance Rolf Lüders placed the radical conglomerate's leading financial institutions in receivership or liquidated them.[64] Since many of the major firms and holding companies of those conglomerates could not meet their debt schedules the government wound up in control of them too, although it left their management in private hands. Second, the end of the foreign-debt-led boom demonstrated just how thin the ideological commitment to radical neoliberalism was among most upper-class elites. During the boom, business and landowning peak associations extolled the virtues of the radical free-market model.[65] Beset by economic hard times, however, and in the wake of the collapse of the radical conglomerates, the peak associations—under the umbrella of the Confederation of Production and Commerce (CPC)—began to develop an alternative economic model.

By 1983 the business and landowning associations affiliated with the CPC had formed a cohesive pragmatic neoliberal coalition and formulated a detailed and highly publicized economic recovery program.[66] The pragmatic coalition supported high real exchange rates, low across-the-board tariffs with protection against unfair competition, a reflationary monetary policy, low interest rates, debt relief, sectoral policies (such as export promotion, construction projects, agricultural development), and a more inclusive, institutionalized policy-making process.

Explicit bargaining between sectoral peak associations cemented the pragmatic neoliberal coalition. Businessmen and landowners with internationalist economic interests dominated the new alliance. They were not radical neoliberals, however, because they had a heavier concentration in extractive industries for export (logging, fishing, mining) rather than liquid assets. The coalition also included industrialists producing

[64] Sergio de la Cuadra and Salvador Valdés, "Myths and Facts about Instability in Financial Liberalization in Chile, 1974–1983," in Philip L. Brock, ed., *If Texas Were Chile: A Primer on Banking Reform* (San Francisco: ICS Press, 1992).

[65] The annual reports of the SFF, SNA, and CNC and SFF/SNA publications such as *Informativo SFF* and *El Campesino* were remarkably uncritical between 1979 and 1981.

[66] Confederación de la Producción y Comercio, "Recuperación económica: Análisis y proposiones" (Economic recovery: Analysis and policy proposals) (Santiago de Chile, July 1983), and related documents presented by member associations. For its genesis, see Campero (fn. 1).

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for domestic markets (who had regained control of the SFF) in a subordinate position. As a result, internationalists in commerce (CNC), mining (SONAMI), and finance (Asociación de Bancos e Instituciones Financieras, ABIF), and landowners (SNA) and the SFF all supported high real exchange rates—they encouraged exports and discouraged imports. Likewise, all wanted low interest rates, debt relief, and changes in the policy-making process. In addition, the SFF had demanded differentiated tariff schedules with a maximum of 35 percent ad valorem. But once again it was outvoted in the CPC by the internationalists and the SNA, who wanted to keep low (15–20 percent) across-the-board rates.[67] As in the past, the SFF had no coalitional partners and thus had to content itself with protection against unfair competition. In other words, because "fixed-asset internationalists" dominated the coalition, it was not opposed to some sectoral policies, especially in credit and taxation, but in principle it preferred sectorally neutral policies and an open economy.

In 1983 Pinochet, relying on the great centralization of power in the Chilean state, only grudgingly gave in to some of the demands of the pragmatic coalition. He acquiesced to minor concessions, hoping that the proper mix would split the new alliance.[68] Between 1984 and 1985, however, the government adopted the core of the CPC's economic program, and between 1985 and 1988, it addressed additional elements. Where discrepancies existed in targets, they may be put down to the fact that the program had been a platform for negotiation with the regime, not an ultimatum for capitulation. What accounted for this change?

Pinochet might largely have continued to ignore the pragmatic coalition had it not been for escalating political protest against his rule by middle- and lower-class sectors and their allies in the political parties. In other words, given the extraordinary concentration of power in Pinochet's hands, international factors and the rise of an alternative capitalist policy coalition were by themselves not sufficient to induce significant policy change. Capitalists alone posed little threat to his rule, but in tacit or explicit alliance with middle-class groups they might.

By the end of 1983 the largest opposition grouping had formed

[67] With respect to the tariff issue, the SFF designated a study commission in January–February of 1982. It issued a recommendation in favor of differentiated tariffs in October; see SFF, "Informe final de la comisión SFF para estudiar una alternativa al sistema arancelario," October 20, 1982. In a March 22, 1982, memorandum that defined the business definition of the social market system, the CPC explicitly supported low, across-the-board tariffs. In November 1982 the SNA flatly declared itself against differentiated tariffs; see minutes of CPC Executive Committee meeting no. 577, November 25, 1982. SONAMI had gone on record against such tariffs in August; see *Estrategia*, August 16–22, 1982. The finance and construction associations were at best ambivalent.

[68] This was the significance behind the Carlos Cáceres-Manuel Martín economic team.

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Alianza Democrática (AD), a coalition of centrist and center-left parties dominated by Christian Democrats. Beginning in May 1983 they had begun staging monthly protests, emphasizing negotiation with the military and conservatives—but not Pinochet—to effect a rapid transition to democratic rule.[69] AD attempted to win over members of the pragmatic coalition—especially industrialists producing for domestic markets. It stressed respect for private property, a mixed economy with ample room for private enterprise, and industrialization.[70] Meanwhile, sectors of the pragmatic coalition, frustrated by the government's lack of response to their proposals, issued veiled threats that they might join the opposition.[71]

Pinochet responded with actions calculated to recapture the undivided loyalty of large-scale business and landowning interests, a tack that ushered in a yearlong period in which capitalists exercised their greatest degree of direct influence. In April 1984 he began by appointing ministers of finance and economy—Luís Escobar and Modesto Collados—who clearly represented the interests of the pragmatic coalition: internationalist concerns dominated, but domestic market interests were also included. Escobar was widely recognized in business circles as a person sympathetic to the CPC's economic recovery program; he had extensive ties to both international finance and Chilean manufacturers for domestic markets (through the Banco de Fomento de Valparaíso, a regional industrial development bank). He also had been the Chilean representative to the International Monetary Fund (IMF) and the World Bank. He favored an expansionary monetary policy, differentiated tariffs, and greater deficit spending. Meanwhile, Collados had been president of the Construction Chamber when the CPC elaborated its recovery program, and he was minister of public works prior to April 1984.[72] He supported

[69] For the composition and evolution of mass mobilization and its impact on the regime, see Manuel Antonio Garretón, *Reconstruir la política: Transición y consolidación democrática en Chile* (Reconstructing politics: The transition to democracy and its consolidation in Chile) (Santiago: Editorial Andante, 1987); and idem, "The Political Opposition and the Party System under the Military Regime," in Drake and Jaksic (fn. 2).

[70] For AD's essentially conciliatory economic policy stance, see Alejandro Foxley, "Algunas condiciones para una democratización estable: El Caso de Chile," *Estudios Cieplan*, no. 9 (1982); Cieplan, *Reconstrucción económica para la democracia* (Economic reconstruction for democracy) (Santiago: Editorial Aconcagua, 1983); and the Christian Democratic Party, *Proyecto Alternativo* (Alternative project) (Santiago: Editorial Aconcagua, 1984), esp. vol. 2.

[71] For example, when the CPC distributed its economic recovery plan to government ministers, the SFF cautioned that although the private sector did not wish to break with the government it might be forced into opposition (*Qué Pasa*, no. 639, July 7, 1983). In the same spirit, Jorge Fontaine, president of the CPC, declared that business only sought confrontation with governments when the survival of the free enterprise system was at stake. The authorities should recognize that adherence to orthodox deflation would lead to perdition (*Hoy*, no. 311, July 6, 1983).

[72] He was president of the Construction Chamber when the CPC developed its economic recovery program. As minister of public works, he had labored to implement a government

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an expansionary monetary policy and proposed the development of a triennial plan that emphasized construction and public works, protection for agriculture, and a solution to the financial crisis. He opposed differentiated tariffs.

The Escobar-Collados team extended the pragmatic coalition's network to the state and crowded the radicals out—at least at the top levels. The continuation of Jorge Prado in agriculture and Samuel Lira in mining further bolstered the new coalition's political power. Prado, vice president of the SNA at the time of his appointment, had primary interests in agricultural exports and secondary investments in agricultural production for domestic markets. Lira was a prominent member of the mineowner's association, SONAMI.

Furthermore, Escobar and Collados modified the policy process in ways that reinforced the nexus between ministers of state and the pragmatic coalition. The business peak associations' access to policymakers and participation in policy-making became more routinized.[73] To begin with, Collados included them in the formulation of his triennial plan as an integral part of the program's sectoral commissions. This allowed the peak associations to work with government officials in turning the sectoral proposals of the CPC's economic recovery program into state policy.[74]

Collados opened up a second avenue of participation in May 1984, the Social and Economic Council (SEC). An advisory body to the president (Pinochet), the SEC brought together representatives of the private, public, and labor sectors to discuss policy recommendations and demands. Its economic commissions—dominated by business peak association leaders—gave private sector representatives of the pragmatic coalition another vehicle of participation in the policy-making process.[75]

Unfortunately, the new economic team also mirrored the pragmatic coalition's tensions, and that proved to be Escobar's unmaking. He supported the SFF's position on a differentiated tariff schedule, which led him into a direct conflict with Collados and the dominant sector of the pragmatic coalition. Pinochet sided with Collados. When Escobar tried

construction program that the Construction Chamber had elaborated in 1983. Author interview with Pablo Araya, director of research, Cámara Chilena de Construcción (CchC), Santiago, Chile, May 3, 1989.

[73] Author interview with Manuel Valdés, president of the SNA, Santiago, Chile, May 3, 1989.

[74] Author interview with Pablo Araya, Chilean Construction Chamber, Santiago, Chile, May 3, 1989.

[75] Augusto Z. Lecaros, "Representación de los intereses de la sociedad en el estado y los consejos económicos y sociales" (Interest-group representation in the state and the social and economic councils) (M.A. thesis, Instituto de Ciencia Política, Pontificia Universidad Católica, 1989). Author interview with Beltrán Urenda, chairman of the CES, Santiago, Chile, May 31, 1989.

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to raise tariffs selectively through other means, Pinochet dismissed him, in February 1985.

Nevertheless, the ministers that followed Escobar and eventually Collados maintained the network between the pragmatic coalition and state institutions. Ironically, some appointments, such as that of Hernán Büchi in finance, may even have strengthened it.[76] The pragmatic coalition had suffered its worst tensions when the ministers of finance and economy reproduced the strains between its dominant and subordinate faction over the trade issue. Büchi, by contrast, was a neutral figure. He appeared to have no direct private economic interests, was a career bureaucrat under Pinochet, favored internationalist groups yet did not dismiss domestic-market producers. His appointment, then, represented a balance of the interests in the pragmatic coalition and helped to soothe its rivalries. Thus, although Büchi had a more arm's-length relationship with business interests, and although the latter's direct influence at the highest level diminished as a result, his appointment kept capitalists from going at each other and helped them focus their energies on negotiating the remaining elements of their common agenda.

Meanwhile, ministers in subordinate economic cabinet positions continued to reflect the composition of the pragmatic coalition. They were businessmen with major international economic interests who also had a substantial stake in domestic market production. Thus, their economic interests replicated the balance between the pragmatic coalition's two major factions. Prado and Lira remained in charge of the Ministries of Agriculture and Mining. Juan Délano, who replaced Collados in the Ministry of Economy, had been vice president of the national chamber of commerce at the time of his appointment. He had supported low, across-the-board tariffs but was not against selective protection for industry against unfair competition.

Between 1985 and 1988 further changes in the policy-making process expanded and institutionalized the pragmatic coalition's links to state economic policy-making institutions. In early 1986 Délano created standing National Commissions for Commerce and Industry within the Ministry of Economy. They gave the CPC and its member associations a place on government policy-making working groups.[77] Business and landown-

[76] Author interview with Efraín Friedman, SFF, Santiago, Chile, November 16, 1988.

[77] Author interviews, all conducted in Santiago, Chile, with Gustavo Ramdohr, president of the Nontraditional Exporters' Association (ASEXMA), August 25, 1988; Manuel Valdés, president of the SNA, March 21, 1989; Efraín Friedman, SFF, November 16, 1988; Lee Ward, ministry of economy, director of the National Commission for External Commerce, December 13, 1988; minutes of the meetings of the Commission's Subcommission for Drawback Legislation, a subcommission of the National Commission for External Commerce.

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ing peak associations also gained increasing access to the junta's legislative commissions. The Constitution of 1980 had created the legislative commissions in order to establish a "legislative process" for the transition to a protected democracy. "Legislative bills" circulated among peak associations, which then had ample time to make observations and amendments—in a word, to lobby. Business leaders, as well as junta members, could introduce "legislation."[78]

These networks allowed the pragmatic coalition to consolidate its gains and influence policy formulation in two additional areas between 1985 and 1988. To begin with, the SFF, which had long wanted a policy of export promotion for industry, finally received it.[79] Second, all coalition members demanded rapid privatization of firms that the government had taken over when it placed bankrupt financial firms in receivership. Privatization began slowly in 1985 and steadily picked up pace over the next three years.[80] From the perspective of the pragmatic coalition, the process had the virtue of strengthening its economic base because of the way it concentrated assets in surviving conglomerates. Although export sectors tended to dominate, most of these conglomerates also had a healthy component of their assets in the domestic-market sector.[81] Significantly, most of their assets were in profitable productive enterprises and not in the financial area.

Capitalist Coalitions, the State, and Neoliberal Restructuring: Conclusion

Most studies of neoliberal economic restructuring since the mid-1970s emphasized the importance of state autonomy in the policy-making process. However, the comparison across three policy periods in Pinochet's Chile—gradual, radical, and pragmatic adjustment—showed that shifting capitalist coalitions with varying power resources also played a vital

[78] Author interview with Jaime Alé, SFF director of planning, Santiago, Chile, September 27, 1988.

[79] Author interview with Lee Ward, director of the National Commission for External Commerce, and selected minutes of the meetings of the Subcommission for Drawback Legislation, Santiago, Chile, December 13, 1988.

[80] This was actually the second wave of privatization in Chile. The first one occurred between 1973 and 1980, and it involved the devolution of firms nationalized by Allende, as well as some historically state-owned firms. The second wave began slowly because of the lack of funds in the private sector to buy and because of the difficulty of disentangling debt and ownership issues. Many more historically state-owned firms were also spun off during this second period.

[81] Patricio Rozas, *El mapa de la extrema riqueza: 10 años después* (The map of extreme wealth: Ten years later) (Santiago: Ediciones Chile-América, 1989). Angelini, Matte, and Menéndez were among the most prominent of these conglomerates.

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role. They provided policymakers with crucial support, and in each period the representatives of distinct capitalist and landowning coalitions helped to shape policy agendas and influenced policy formulation. In part, that was because market-based economic development strategies made state elites more attentive to the demands of dominant capitalist factions, probably because neoliberalism gives capitalists significant control over investment. The role of state structure and international factors in the shaping of coalitions and their power resources could not be ignored, however. Thus, fuller explanations of cases such as Chile's require analytical frameworks that address the question of how and when coalitional, state structural, and external factors affect outcome. A synthesis of the work of Haggard, Gourevitch, and Frieden offered a useful starting point.

By comparing the three policy periods, this summary conclusion addresses the issue of which factor mattered when in the shaping of Chilean capitalist policy coalitions. In general, authoritarianism determined the exclusion of all but the top economic elite in the policy-making process, and it affected the dynamic of intracapitalist conflict as various factions vied to shape the direction and pace of economic change in Chile. They proposed policies, formed coalitions, and negotiated with policymakers both directly and through their business associations. International capital flows influenced which capitalist faction dominated, and because it was the group most likely to deliver economic growth, it was the one state elites paid attention to.

The impact of authoritarianism on intracapitalist conflict was perhaps clearest during the short-lived gradualist policy period (1974–75). Military rule robbed internationally uncompetitive industrialists of the conditions that had allowed them to block attempts to open Chile to international trade in the 1960s. They could no longer rely on former coalitional partners (albeit indirect ones), and the collapse of democracy divested them of the institutional levers of pressure that they had used in the past. The policy coalition that emerged advocated gradual rather than swift change because, overall, fixed-asset producers were the most important actors and they had difficulty with rapid economic adjustment. Internationally competitive industrial producers for domestic markets (particularly in the SFF) dominated the gradualist coalition within an alliance that included the representatives of business sectors that had traditionally opposed excessively high tariffs under ISI: fixed-asset producers for international markets (mineowners, fruit producers), large-scale merchants, and the bulk of landowners, who, although they were not internationally competitive, resented ISI's investment bias against

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their sector. Thus, while advocating tariff reduction, the latter also sought and received protection in the form of price floors for their products.

During the gradualist period there had been no significant or sharp shift in international capital flows; as a result, this article did not discuss them. However, although petrodollar recycling and the attendant increase in international liquidity had yet to emerge, the oil price shocks had not gone unnoticed. Thus, as a background variable higher energy bills threatened to increase foreign-exchange needs that could not be met solely through import substitution. This structural change probably strengthened internationally competitive fixed-asset producers for domestic and international markets. They provided a mixture of import substitution with increased exports. As far as the junta was concerned, in the absence of significant changes in the international economy, gradualism probably offered the best road to recovery from what then seemed to be largely a severe domestic economic crisis.[82]

During the radical neoliberal policy period (1975–82), sharply expanded international liquidity turned internationally oriented liquid-asset holders, the proponents of rapid economic adjustment, into the dominant capitalist faction. Continued centralization of authoritarian rule—from the junta to Pinochet—made it possible for this narrow constellation of business interests to play an important policy-making role, to the virtual exclusion of other capitalists. They offered Pinochet the dual promise of investment and economic growth along with unconditional political support for his one-man rule. He abandoned them after a wrenching external shock—the drying up of international liquidity—destroyed the conglomerates that most fervently supported radical neoliberalism.

The pragmatic neoliberal policy period (1983–88) brought into sharp relief the fact that state structure was a necessary but not determinant condition in shaping policy coalitions and outcomes. Within the confines of the same personalist political regime, the much broader pragmatic

[82] It must also be recognized that the gradualist coalition had its origins in the broad coalition of upper- and middle-class interests that allied against Salvador Allende. Since their efforts had partially spurred the military to action, it seems logical that the junta relied on them for their policy proposals, at least initially. It was, after all, supposed to be a government of national reconciliation. In this context, the Brick represented a planning tool inspired by neoliberals but tempered by negotiation with other sectors. It set guidelines for a market economy, but the pace and extent of structural transformation was not spelled out. According to my interviews with businesspeople who lost out to the radical neoliberals, intraelite conflict turned precisely on those issues. See also Centro de Estudios Públicos, *"El Ladrillo": Bases de la política económica del gobierno militar chileno* ("The Brick": The bases of the Chilean military government's political economy) (Santiago: Centro de Estudios Públicos, 1992).

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neoliberal coalition influenced a change to more nuanced neoliberal policies. External shocks, which had elevated and brought down radical neoliberals, once again played a key role in coalition formation. The debt crisis required Chile to increase foreign exchange earnings, necessarily accomplished through a mixture of expanded exports and import substitution. In general, this meant that the absence of credit to fuel economic growth led by financial speculation strengthened fixed-asset holders over liquid-asset holders. Moreover, given the overriding need to expand exports to secure new sources of foreign exchange, fixed-asset producers for international markets constituted the dominant faction of capital. They helped to shape macroeconomic and sectoral policies that emphasized recovery and investment in the corresponding industrial, extractive, and agricultural sectors. These upper-class elites, however, also allied with fixed-asset producers for domestic markets who, although occupying a subordinate position in the coalition, were important for three reasons. They saved foreign exchange, played a significant role in employment, and increased the pressure on Pinochet and his ministers. As a result, some policies gave incentives and protection for their economic sectors too, especially for agriculture. Again, according to available evidence, in the interests of political survival Pinochet turned to dominant business factions—the ones most likely to spur economic growth—for support and the reestablishment of order.

In addition to uncovering capitalist policy coalitions and the conditions that led to their formation, this article explored methods to establish the means by which coalition members at least partially translated their demands and preferences into policy. It examined how privileged networks between the private and public sector facilitated the participation of top business elites in the policy-making process. Here, the analysis clearly adopted a more instrumentalist approach to the relationship between state and society.

From a more comparative perspective, the general analytical framework applied in this case study suggests that if Brazil, Argentina, and Uruguay had less success with economic restructuring in the late 1970s and the 1980s, it was because they had less support from capitalist elites. Comparative efforts should take into account the characteristics of those coalitions, including their cohesiveness, and how international and domestic institutional factors shape their relative strengths. The Chilean experience also shows that a return to a more democratic form of government does not in and of itself call neoliberal restructuring into question. Both Chile's pragmatic neoliberal coalition and most of the general

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policies it supported survived the transition to democracy.[83] This implies that the problem in other countries may well be that they lack the equivalent of Chile's pragmatic coalition, an alliance that was the result of an explicit bargain between capitalist and landowning groups over the terms of economic restructuring.

[83] Eduardo Silva, "Capitalist Regime Loyalties and Redemocratization in Chile," *Journal of Interamerican Studies and World Affairs* 34 (Winter 1992).

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Review Articles

WRITING THE INTIFADA

Collective Action in the Occupied Territories

By IAN S. LUSTICK*

Rex Brynen, ed. *Echoes of the Intifada: Regional Repercussions of the Palestinian-Israeli Conflict*. Boulder, Colo.: Westview Press, 1991, 314 pp.

Joost R. Hiltermann. *Behind the Intifada: Labor and Women's Movement in the Occupied Territories*. Princeton: Princeton University Press, 1991, 265 pp.

Michael C. Hudson, ed. *The Palestinians: New Directions*. Washington, D.C.: Center for Contemporary Arab Studies, 1990, 268 pp.

F. Robert Hunter. *The Palestinian Uprising: A War by Other Means*. Berkeley: University of California Press, 1991, 292 pp.

Zachary Lockman and Joel Beinin, eds. *Intifada: The Palestinian Uprising against Israeli Occupation*. Boston: South End Press, 1989, 423 pp.

David McDowall. *Palestine and Israel: The Uprising and Beyond*. Berkeley: University of California Press, 1989, 322 pp.

Jamal R. Nassar and Roger Heacock, eds. *Intifada: Palestine at the Crossroads*. New York: Praeger, 1990, 347 pp.

Don Peretz. *Intifada: The Palestinian Uprising*. Boulder, Colo.: Westview Press, 1990, 246 pp.

Zeev Schiff and Ehud Ya'ari. *Intifada: The Palestinian Uprising, Israel's Third Front*. New York: Simon and Schuster, 1990, 352 pp.

THE Palestinian intifada (uprising) began on December 9, 1987, as a series of confrontations between Israeli soldiers and crowds of angry Palestinians. To the amazement of almost everyone, these clashes led to the most prolonged episode of militant Palestinian oppositionism in the hundred-year history of Zionist-Arab relations in Palestine/the Land of Israel. Indeed, almost five years later, in October 1992, the Israeli chief of staff warned his countrymen that the uprising had still not ended.

From the beginning of its occupation of the West Bank and Gaza Strip in 1967, Israel outlawed almost all forms of political activity by the Arab inhabitants of those areas. It was therefore not at all uncommon for Palestinians protesting various aspects of the occupation to meet with

* I would like to thank Jerrold Green for his comments on a preliminary version of this article.

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violent responses from Israeli troops. Customarily these outbursts died down after the army opened fire; in December 1987, however, the crowds did not disperse after the army began to shoot. Instead, the demonstrations expanded, drawing such large numbers of protestors into the streets that Israeli units were overwhelmed.

Within weeks there emerged a clandestine coordinating committee that helped sustain an uninterrupted series of commercial and general strikes and mass demonstrations. In the first exhilarating months of the uprising, "liberated" zones were established within Palestinian villages, towns, and refugee camps. Israel's elaborate system of collaborators and informers was on the verge of almost total collapse. Israeli vehicles on roads in the occupied territories were subjected to constant harassment by youths throwing stones and Molotov cocktails. Despite dozens, then scores, then hundreds of Palestinians killed by Israeli soldiers, police, and settlers, and official policies of beatings, mass arrests, and collective punishment, the intifada continued. It was soon clear that a genuine civil rebellion was under way, unlike any other form of Palestinian resistance to the twenty-five-year-old occupation of the West Bank and Gaza Strip. The flow of Israeli settlers to the territories slowed to a trickle; and in some settlements houses were abandoned by residents who returned to the relative safety they associated with life within the borders of Israel proper.

In addition to being unprecedented in the Palestinian context itself, the intifada was also the first of many mass-based, illegal, nonviolent or semiviolent challenges to nondemocratic governing structures to burst upon the world scene at the end of the 1980s. Algeria and Jordan erupted in 1988. Mass mobilizations subsequently appeared in Burma, in the Baltic states, and in most East European countries in 1989, then in China, South Africa, Kenya, and in many of the constituent republics of the former Soviet Union. As a phenomenon they drew the attention of both the media and scholars to the brightening prospects for democratization and to the heroic nature of struggles by oppressed peoples rising up against the coercive power of states to demand political and economic rights. But although the Palestinians may have been first chronologically, and although their efforts were sustained over a longer period of time than were the "uprisings" in the other cases, the Palestinian struggle against the Israeli occupation has usually been omitted from media accounts of the worldwide trend toward "democratization" and from scholarly consideration of circumstances leading to such measured forms of revolutionary collective action.

In this essay I seek to respond to these omissions in two ways. First,

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by assessing many available treatments of the intifada, I can trace the contours of the movement and identify both the questions asked in this substantial body of work and the range of answers offered. Second, by surveying recent developments in literatures whose organizing questions pertain to the etiology and dynamics of mass collective action, I can establish the degree to which the intifada is comparable to other contemporary mass movements for radical political change, which in turn will suggest how much the intifada, and the Israeli-Palestinian relationship in general, has to offer students of comparative politics. In the process I raise an often ignored methodological complication in the use of monographic materials to evaluate theoretical claims.

The Status Quo Ante

Two kinds of questions, corresponding to two different kinds of assumptions, can be asked about the occurrence of the intifada or of any other case of illegal mass political action. Reflecting beliefs about the likely stability of established authority structures, about the superficiality of the common political identity claimed by those who might be expected to revolt, or about the likely decisiveness of free-rider, cultural, or psychological barriers to the joint pursuit of shared interests, one type of question asks why such an upheaval should occur at all. If for these assumptions one substitutes expectations that identities claimed by masses of people are likely to be genuine and determinative and that their severe discontent cannot be easily contained, then the opposite question becomes salient: why such an upheaval should not have occurred earlier.

The studies and reports about the intifada reviewed here ask both questions, although the emphasis is clearly on the former. Why, ask most of these authors, in thousands of defiant encounters with Israeli troops, police, and settlers, did the Palestinians of the occupied territories suddenly demonstrate a willingness to endure substantial and prolonged punishment for the sake of ending the occupation? Although some authors do point to what they call an unappreciated series of precedents for sustained mass action and acceptance of high casualties by Palestinians in the territories, even they concede that no previous episode lasted more than four to six weeks, that none approached the intifada in the proportion of the population mobilized for political action, and that none elicited the scale of sacrifice associated with the uprising.

For years Palestinians in the Israeli-occupied West Bank and Gaza Strip were asked an uncomfortable, cruel, but not unreasonable question: if the occupation is so onerous and you are so discontented, if you

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expect to achieve national liberation and a state of your own, then why have you not shown the same discipline and willingness to sacrifice that the Vietnamese, Cubans, Algerians, Iranians, Afghans, or even pre-1948 Zionists displayed in their respective struggles? It was a telling critique despite the undeniable fact that the Palestinians confronted a determined and well-equipped antagonist in topographical circumstances peculiarly unsuited to guerrilla warfare. Certainly, the PLO outside of Palestine did mount an armed struggle that produced long lists of martyrs, but many Palestinians on the inside, in the West Bank and Gaza, seemed either willing to let history have its way with them or particularly susceptible to the techniques of control exercised by the Israelis.

Virtually all analysts unconnected to the Israeli authorities have emphasized the injustices of the occupation, the active discontent of the Palestinians living in the West Bank and Gaza, and the uniformity of Palestinian aspirations for independence from Israel. Accordingly, no one has seriously argued that the relative quiescence of Palestinians under Israeli occupation was due to a convenient or manipulated consciousness among them that made Israeli rule appear more satisfactory than it would have otherwise. Israeli domination was domination without hegemony. Instead, most explanations for the limited nature of West Bank and Gaza Palestinian resistance stressed the impediments to guerrilla fighting in such open and small areas, Israel's enormously sophisticated apparatus of surveillance and punishment, and the corruption of traditional Palestinian elites.

Under these circumstances, for ten years at least, the carrot-and-stick occupation policy implemented by Israeli defense minister Dayan in 1967 was extraordinarily effective. After an initial wave of nationalist mobilization and some (failed) attempts at violent resistance, the inhabitants of the West Bank and Gaza Strip reached a modus vivendi with the Israeli occupation. Although politically active Palestinians were treated severely, no Palestinian was required publicly to support the legitimacy or continuation of Israeli rule. The great majority of Palestinians refrained from mass political action or armed mobilization and in return were allowed to make money by working in Israel, to maintain their social institutions, and to preserve their ties with Jordan and the rest of the Arab world via the "open bridges" policy over the Jordan River.[1] In the meantime Israel for its part refrained from advancing formal claims to sovereignty over the areas (apart from expanded East Jerusalem). It con-

[1] The "open bridges" policy describes the Israeli practice of allowing, subject to sometimes rigorous and discriminatory screening procedures, movement of people and goods across the bridges linking the West Bank and Jordan.

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ducted its settlement and land expropriation policies discreetly and promised that the eventual peace would be based on an end to the occupation. Dayan's policies were enforced in the main, not by terror or direct physical coercion, but by threats—of imprisonment, deportation, housing demolitions, and bureaucratic harassment.

In accord with Dayan's objective of gradual, de facto, but permanent "incorporation" of the territories into an Israeli sphere of control, and in return for employment possibilities in Israel and opportunities for trade and travel across the Jordan River, the Arabs of the territories assumed a generally passive role. This seemed moreover to grant the PLO the leadership role it desired while also providing an excuse to let events on the ground take their course. In this context commercial strikes could be called to protest new restrictions or taxes, petitions and court appeals could be filed ad infinitum in protest against land expropriation and settlement practices, and innumerable appeals could be issued to foreign dignitaries or sympathetic Israelis, but no general strikes could be sustained, no period of violent or semiviolent protest could be maintained for more than a month or two, and no territories-wide, coordinated attempts to overcome Israeli repression were forthcoming.

Explaining the Intifada as a Revolutionary Episode

So what accounts for the intifada? Before examining answers that have been offered, some comments on the literature it has generated are in order. Most of what has been written about the intifada, including books reviewed here, has focused on documenting its character as a heroic, mass participatory, sustained, but mostly nonviolent (or only "semiviolent") rebellion. Most of these studies are written by Palestinians, by Arab, American, or European scholars sympathetic to the historic plight of the Palestinians, or by participant-observer journalists or anthropologists. Reading their work, particularly the contributions in the Lockman and Beinin and Nassar and Heacock volumes, it is easy to appreciate the tremendous surge of enthusiasm, excitement, and wonder that accompanied the first few months, or even most of the first year of the uprising. For the first time in twenty years of occupation the Israelis appeared to be on the defensive. The response of the political authorities and the army was confused and ineffective. The reversal of the David and Goliath template, with Palestinian youth now holding the slingshot, attracted enormous media attention and was as exhilarating to Palestinians and their friends as it was depressing and maddening to Israelis who did not sympathize with the Palestinian struggle. While *Les Miserables* was fill-

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ing theater halls in Israel, offering audiences the vicarious thrill of justice demanded against all odds, Palestinians built their own barricades and savored the real thing.

Three kinds of leaders emerged within weeks of the initial outburst. In urban neighborhoods, villages, and refugee camps thousands of young men and women assumed day-to-day responsibility for organizing "popular committees" to deal with specific issues, such as food, health care, security, education, and protest activities. Out of public view there also emerged a central coordinating leadership that issued communiqués in the name of the Unified National Command of the Uprising (UNLU) and the PLO. These contained instructions and advice for sustaining the uprising, schedules for strike activities, hours when businesses were to be opened and closed, and themes and slogans to be emphasized on different days. The Unified Command was comprised of representatives of each of the four main nationalist factions in the territories (that is, it did not include representatives of Muslim fundamentalist groups). Many of its most active members managed to elude capture for many months, and for several years at least the Command was able to replenish its ranks. It operated on the basis of consensus and assumed responsibility for judging how much to ask of Palestinians in their daily confrontation with Israeli soldiers and settlers. It maintained regular contact with the PLO's external leadership via telephone lines and facsimile machines, but (for the most part) deferred to the PLO leadership on the outside for strategic, diplomatic, or political decisions.

The third type of Palestinian leader associated with the uprising included professors, journalists, and familiar political personalities who mediated between the clandestine UNLU, the PLO, and the international and Israeli media. These people, like Sari Nusseibeh, Faisal Husayni, Hanan Ashrawi, Ziad Abu Ziad, Fayez Abu-Rahmah, and Hana Siniora, associated themselves with the uprising and claimed to articulate the sentiments of both Palestinians in the territories and the PLO; they used their ties with American and European diplomats and their status as media stars to dissuade the Israeli authorities from imprisoning or deporting them for their role in the intifada.[2] Though sometimes referred to with some cynicism by streetwise activists as the "Mickey Mouse" leaders, these are the people who emerged after the first years of the intifada as the PLO's link to the Palestinian delegation in Madrid and as those mainly in charge of conducting continuing negotiations with Israel and the United States.

[2] Most of these individuals, however, were held in administrative detention for various periods of time.

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In its scale, intensity, and duration, if not in its tactics, the campaign of protest, resistance, and disengagement that these three strata of leaders were able to sustain was reminiscent of the Irish struggle against the British from 1919 to 1921. Between January 1919 and August 1921 British security forces killed 752 Irishmen and wounded 866. Five hundred and sixty soldiers and police were killed by the Irish during the same period. The rate of Irish Catholic deaths was approximately 23 per 100,000. With these figures in mind, one can appreciate the breadth of Palestinian mobilization, the massiveness of the repression exercised to contain it, as well as the distinctively nonlethal character of Palestinian actions against Israelis.

The total Arab population of the West Bank and Gaza Strip in 1987 was approximately 1.7 million. From the beginning of the uprising in December 1987 to the end of February 1991, 787 Palestinians in these areas were killed by soldiers, police, and Israeli settlers. During that same period 349 Palestinians were killed by other Arabs, under conditions of general lawlessness or as suspected collaborators. The rate of Palestinian deaths (at the hands of Israelis) was 43 per 100,000 inhabitants—nearly double that for the Irish during the Anglo-Irish War. In September 1990 the Israeli Army released statistics showing that 13,100 Palestinians had been wounded in the first thousand days of the uprising (compared with 2,500 Israeli soldiers and 1,100 Israeli civilians).[3] Palestinian sources reported much higher Arab casualty levels, showing more than 100,000 serious injuries suffered by Palestinians during the first three years of the uprising.[4] In the region of Nablus, in the northern West Bank, it was reported that 5 percent of the total population (9,740 out of 200,000) had been hospitalized for wounds, although most injured Arabs were not hospitalized (Hunter, 207). In the first two years of the uprising the army demolished 350 Arab homes and arrested 60,000 Palestinians.[5] Sixty people were deported, and 40,000 were held in administrative detention, that is, without indictment or trial.[6] One Israeli lawyer estimated that about

[3] *Haaretz*, April 2, 1991; and *Maariv*, September 5, 1990. Between December 1987 and February 1991, twenty-six Israelis were killed by Palestinians. The Israeli human rights group, Btzelem, also reported that during this period eighty-five additional Arabs, including thirty babies, died shortly after exposure to tear gas. More recently Btzelem reported that after five years of the intifada a total of 923 Palestinians had been killed by the security forces (i.e., excluding those killed by settlers) and that 675 Palestinians had been killed by other Palestinians. Kol Yisrael (Radio Israel) broadcast, December 8, 1992, transcribed by FBIS, *Daily Report: Near East and South Asia*, December 10, 1992, p. 31.

[4] See "The Human Costs of the Uprising," *Palestine Human Rights Campaign Newsletter* 11 (January 1991).

[5] *Davar*, October 31, 1989.

[6] As reported by the Israeli minister of justice, *Maariv*, November 17, 1989. In December 1991 the Israeli chief of staff reported that since the beginning of the uprising "nearly

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25 percent of the Palestinian population passed through the military court system in the first years of the uprising (Hunter, 26). The economic losses sustained by the Palestinians in this short time were also substantial. In 1989 Palestinian incomes were between one-half and one-third of what they had been two years earlier (Hunter, 195).

All the authors whose work is represented in these volumes agree that particular events or developments acted as catalysts for the intifada, helping to explain its timing. To their credit, however, none contend that such "accidental" factors can explain more than that. A number of precipitating events figure prominently in these accounts: Palestinian disappointment at the failure of the 1987 Amman summit to attach a high priority to the predicament of Palestinians in the occupied territories; the inspiring success of the Popular Front for the Liberation of Palestine General Command hang glider attack on an Israeli army base in the Galilee; a bloody road accident in the Gaza Strip; Israeli attempts to commandeer water resources in the Bethlehem area; and brutal behavior of Druse border patrolmen in a large West Bank refugee camp. Again, these events are not put forth as explanations. Rather, their importance is identified only in relation to background developments or underlying processes whose effects created new conditions, conditions that then allowed incidents such as these to have a radically different kind of effect at the end of 1987 than similar events had had during the previous twenty years of occupation.

Explanations for the intifada, for this sudden, sustained, revolutionary expression of Palestinian political militance, can be sorted into variations on four overlapping themes:

—the intifada as an explosion caused by pent-up despair and humiliation

—the intifada as a strategic extension of the PLO's struggle to gain Palestinian national liberation

—the intifada as having sprung from and been modeled after grass-roots organizations active in the territories during the preceding decade

—the intifada as the reflection of changes in Israeli politics and policies toward the territories

The volume by Schiff and Ya'ari, Israel's veteran military and Arab affairs journalists, was published before the others; the Hebrew version appeared in early 1989. The first chapter (titled "The Surprise") describes the technical and tactical errors made by then Defense Minister

100,000" Palestinians had been held in various detention centers or prisons for intifada offenses.

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Yitzhak Rabin, and the failures committed by the security services and military intelligence, which the authors say allowed the disturbances to erupt and prevented them from being brought under control quickly. The purpose of this chapter, however, is not to provide the groundwork for an explanation of the intifada as an avoidable "accident." In fact the book concludes with an argument that conditions in the territories will require Israeli withdrawal and that such a move would serve Israel's national interests, including its security interests.

The purpose of this first chapter is instead to establish a rapport with Israeli readers. To put their controversial argument across, the authors need to avoid giving the impression of "vegetarianism" (Israeli slang for bleeding-heart attitudes toward Arabs). By offering the same sort of technical, tactical, and professional critiques leveled at the security establishment after the 1973 war and the Lebanon War, and by delivering harsh criticism of politicians (such as Yitzhak Rabin) identified with the antiannexationist side of the spectrum, they seek to earn the trust of Israeli readers as "professional," hardheaded, nonideological judges of Israeli interests. For similar reasons the authors are eager to demonstrate their "insider status" by explicitly citing their personal and confidential relations with Israeli military officers, the security services, the prison authorities, and the police. Indeed their primary source of information about participants in the intifada comes from classified reports by, and private interviews with, unnamed officers, operatives within various branches of the Israeli intelligence community, and Shin Bet (security service) interrogators.

Above all, Schiff and Ya'ari's explanation for the intifada emphasizes the cumulative rage of Palestinian refugees, workers, and farmers. In particular, they stress the unbearable conditions in Gaza refugee camps, the frightening new threats to divert some of what remained of the farmers' water resources to Israeli settlers, and, especially, the bitterness of Palestinians employed inside Israel at the routine humiliations inflicted upon them by soldiers, policemen, and border patrolmen. Even though they knew or cared little about the PLO or Palestinian nationalism, say Schiff and Ya'ari, once they witnessed a number of dramatic, horrifying, and/or inspiring confrontations between Israelis and Palestinians in 1986 and 1987, the Arab masses of the territories—villagers, refugees, and workers—could no longer contain their fury. When their rage erupted, it did so with such force and constancy, and in so many localities at roughly the same time, that the small Israeli units stationed in the territories lost their deterrent effect.

Schiff and Ya'ari credit the early organizers of the UNLU (most of

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whom, they note, were deported) with courage, sophistication, and effectiveness. By contrast, they portray Arafat and the "outside" PLO as undeserving but jealous claimants to the mantle of Palestinian leadership—as individuals who claimed responsibility for a mass mobilization of Palestinian sentiment that they neither anticipated nor understood.

The other authors of these studies are more explicitly sympathetic to the goals of the intifada and the aspirations of Palestinians. While they would agree with Schiff and Ya'ari about the privations endured by Palestinians under Israeli occupation and about the dimensions of popular anger, most would reject as inadequate or pejorative the "volcano" theory of the intifada these two authors are said to present, a theory that attributes Palestinian mobilization to the kind of blind emotion usually associated with mobs or with primitive peoples, but not with disciplined and worthy national movements. Opponents of this explanation argue that it devalues Palestinian political action, Palestinian heroism, and the effectiveness and sophistication of Palestinian organization. They hold that reliance on overwhelming, determinative surges of emotion recapitulates analytically the same kind of error made by those who before the uprising had adopted the view of an irreversible juggernaut of Israeli annexation, thereby underestimating the autonomous importance of political and organizational factors.[7]

While stressing the unleashed rage of Palestinians as an underlying factor, almost all interpreters of the intifada characterize it as an unprecedentedly broad and sustained mobilization of the Palestinian masses in a direct, disciplined political struggle against Israelis. Since most observers agree that the degree of oppression and discontent in the occupied territories had long before the late-1980s reached a point capable of justifying the sacrifices necessary in such a struggle, explanations for the timing of the intifada, its character, its successes, and its failures resolve into explanations of how the Palestinians finally managed to develop organizational frameworks and mobilizational techniques to overcome Israeli repressive capacities.

The enthusiasm for the intifada of some of these writers is tempered somewhat by their obvious concern that its success might contribute to Israeli efforts to marginalize the PLO by substituting the problem of the West Bank and Gaza for the larger historical problem of Palestinian self-determination and the future of masses of Palestinians living in refugee camps in Lebanon, Jordan, Syria, and elsewhere. An argument devel-

[7] See Hiltermann, 174–76; Samir Abdallah Saleh, "The Effects of Israeli Occupation on the Economy of the West Bank and Gaza Strip," in Nassar and Heacock, 48; and Salim Tamari, "What the Uprising Means," in Lockman and Beinin, 134.

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oped and emphasized by Helga Baumgarten and Ali Jarbawi in their contributions to the Nassar and Heacock volume, Rashid Khalidi in his contribution to the Lockman and Beinin volume, and by Don Peretz is that although the intifada was in some degree "spontaneous," it must be understood as the product of a partnership between inside and outside leadership cadres, all affiliated with the PLO or, more specifically, with the four major factions associated with it—Fatah, the Popular Front for the Liberation of Palestine (PFLP), the Democratic Front for the Liberation of Palestine (DFLP), and the Palestinian Communist Party. Without the nation-building work, organizational foundation, and political experience gained from twenty years of PLO activity, they contend, the Palestinians of the West Bank and Gaza would not have had the political maturity or the organizational density to sustain their struggle beyond an initial outburst.[8] Nor would the Palestinian people as a whole have been able to translate sacrifices on the ground into diplomatic achievements and international pressure on Israel. While Baumgarten goes so far as to suggest that the intifada was instigated according to a plan developed by Arafat, this is an extreme view and shades into an early Israeli interpretation of the uprising that most of these writers (including Baumgarten) reject out of hand, namely, that the intifada was the result of "outside agitation."[9]

The politically correct Palestinian position, advanced by most writers, runs as follows: The timing of the intifada was spontaneous, the result of circumstances on the ground in the West Bank and Gaza Strip. Its energy was drawn from the grass-roots level of Palestinian society. There is not and never was any real separation at all between intifada activists in the occupied territories and the "external" PLO leadership. The Pales-

[8] Helga Baumgarten, " 'Discontented People' and 'Outside Agitators': The PLO in the Palestinian Uprising," in Nassar and Heacock, pp. 207–26; Ali Jarbawi, "Palestinian Elites in the Occupied Territories: Stability and Change through the *Intifada*," in Nassar and Heacock, 287–305; Rashid Khalidi, "The Palestinian People: Twenty-two Years after 1967," in Lockman and Beinin, 113–26; Peretz, 87–90.

[9] Although both Israeli officials and experts fairly quickly abandoned early characterizations of the uprising as the transient result of the activities of a small number of inciters, much of the work that has been done on the intifada by Israeli Arabists (professional advisers and experts on Arab affairs often enjoying close ties to the government and the security services) does tend to ignore the populist base and cellular organization of the uprising, which were among its most salient features. Ironically, by focusing on the role of the external PLO leadership, these studies implicitly endorse a view of the PLO, led from the outside, as virtually the only mobilizational framework within the Palestinian community—a view substantially in tension with the official Israeli rejection of the PLO as the Palestinians' "sole legitimate representative" and its insistence on the separability of the problem of the inhabitants of the territories from that of Palestinians living outside Palestine. See especially contributions by Asher Susser, Bruce Maddy-Weitzman, and Matti Steinberg, in Gad Gilbar and Asher Susser, eds., *B'Ayn HaSichsuch: HaIntifada* (At the core of the conflict: The intifada) (Tel Aviv: Hakibbutz Hameuchad, 1992).

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tine Liberation Organization, it is said, enjoyed the allegiance of Palestinians from all walks of life both "inside" (in the occupied territories) and "outside" (in the Palestinian diaspora). On that basis, it was able to build an organizational structure of resistance that empowered Palestinians to revolt, produced a united leadership on the ground to guide the revolt, and then coordinated an international political and diplomatic campaign to exploit the new circumstances created by the intifada. Once launched, the tasks of leadership were divided between the UNLU (including representatives of each of the three main PLO factions and the Palestinian Communist Party), which decided on tactics and schedules for protest activities, and the PLO leadership outside, which decided on political and diplomatic moves.

The intifada is thereby cast as but one stage in the long-standing Palestinian struggle for national liberation, not as the Palestinian revolution itself. A number of writers, however, even while paying lip service to the PLO's status as the "sole legitimate representative of the Palestinian people," analyze the cause of the intifada as associated with the PLO's failures—failure to cope with the real needs of the people under occupation, failure to produce a plan capable of halting Israel's de facto incorporation of the territories, and failure to maintain unity among its factions. An unintended result of these failures, these authors argue, was that Palestinians in the territories developed their own organized resistance to the occupation, which was more effective than anything the external leadership of the PLO had been able to devise or implement. These arguments are presented against a generally agreed-upon background narrative of the PLO's struggle, which in the context of this review must be made explicit.

Once Israel crushed PLO attempts in the first few years of the occupation to wage a Guevara-type guerrilla war in the territories, the organization cast about for ways to maintain its leadership position. The PLO was uncomfortable with communist efforts in the early 1970s to organize the Palestinian National Front (PNF), a semiclandestine umbrella organization coordinating political struggle within the territories with the explicit aim of creating an independent Palestinian state alongside of Israel. Fearing that such initiatives might lead to a local leadership operating outside its control, the PLO gave the PNF only lukewarm support and was not displeased when it was uprooted by the Israelis. On the other hand, the PLO fully endorsed the Egyptian and Syrian war launched in October 1973 as a means of liberating captured Arab territories. But that conflict, although it led to return of the Sinai to Egypt, left Syria with only a small slice of the Golan and left the Palestinians

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with nothing but an offer of Begin-style autonomy—that is, a fig leaf for de facto annexation of the West Bank and Gaza by Israel.

The PLO's primary response to the Camp David Accords was to strengthen its political and military base in Lebanon while joining with Jordan and other Arab states to channel funds to its supporters in the territories. The state within a state in Lebanon was meant to shelter the military and civilian PLO organizations, while keeping at least the principle of armed struggle alive. Financial contributions from the Arab states, delivered to Palestinians in the territories under the joint auspices of the PLO and Jordan, were calculated not only to increase local "steadfastness" against Israeli efforts to buy land and encourage large-scale emigration but also to prevent the emergence within the occupied territories of an alternative leadership with the prestige and resources to challenge the PLO on the outside.

But the PLO suffered crippling blows when Israel invaded Lebanon, on a small scale in 1978 and on a much larger scale in 1982. The 1982 war was an extended operation that penetrated all the way to Beirut and destroyed the PLO's political, economic, administrative, and military base in that country. Although the organization survived and continued to enjoy the expressed loyalty of the overwhelming majority of Palestinians, its forced relocation to Tunis was symbolic of its estrangement from the daily life of Palestinians under Israeli occupation.

After the war the PLO was caught in an increasingly cruel dilemma. The settlement and land expropriation policies of the Begin and then Shamir governments in the early 1980s aroused fear among West Bank and Gaza Arabs that permanent incorporation of the territories into Israel would soon be an irreversible fact of life, setting the stage for Israel to push them out of Palestine entirely. This led to calls for drastic compromise, to "save what could be saved" before it was too late; if the PLO accepted this logic, however, it would risk displacement by Jordan or by leaders from the territories with whom the Israelis would be more likely to negotiate. Furthermore, it would open itself to accusations of betrayal by its core constituencies within the Palestinian diaspora who hoped for a state in Palestine to which they might someday return. On the other hand, if the PLO rejected pleas by West Bank and Gaza Palestinians for more flexibility, it risked losing whatever chances for a negotiated solution still existed and alienating itself from the mass of Palestinians still living in Palestine. Meanwhile, the PLO's rivalry with Jordan, corruption of many of its agents in the territories, factional disputes over political strategy and the disbursement of funds, and increasingly stringent Israeli policies pushed Palestinians toward new forms of mobilization.

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According to some of the most perspicacious studies of the intifada, the secret of the uprising lies in the weakening of the PLO's direct influence over events in the territories and in the frustration of West Bank and Gaza Palestinians with its ineffectiveness or venality. These analysts emphasize the crystallization of grass-roots organizations in all spheres of Palestinian life under occupation—organizations that began forming in the late 1970s. They provided needed services within a nationalist context, but without relying on external financial assistance or guidance from national-level leaders.

David McDowall advanced one of the strongest versions of this argument: he portrayed West Bank and Gaza Palestinians as having become disillusioned with a PLO leadership it considered too close to Jordanian interests and too ready to make concessions to Israel. According to McDowall, in the late 1970s and early 1980s local Palestinian intellectuals realized the corrupting and debilitating effects of donations from abroad on Palestinians in the territories; this referred not only to funds delivered by the PLO-Jordan Joint Committee, but also to aid from international charities and remittances from relatives working in oil-rich states of the Gulf. Their response was to build frameworks for action that blended nationalist purposes with practical solutions to housing, educational, health, legal, and economic problems. These organizations were to constitute a Palestinian mobilizational base free of outside influence and capable of sustaining a long struggle for the complete liberation of Palestine. As described by McDowall, these intellectuals envisioned grass-roots organizations operating under local leadership and according to participatory norms that would produce more Palestinian activists than Israel could ever imprison or deport.

McDowall's portrayal of this movement as an engineered response by West Bank intellectuals to PLO policies perceived as dangerously moderate, or as reflecting their strategic, a priori analysis of the Palestinian predicament, is overdrawn. By "intellectuals" he seems to mean the second-echelon leaders of the Communist Party and the main anti-Fatah factions of the PLO—the Democratic Front for the Liberation of Palestine and the Popular Front for the Liberation of Palestine. These elements did play a crucial role in the intifada and many of them did resent and distrust the external PLO leadership. But in the early 1980s the majority of Palestinians in the territories, including intellectuals, greatly feared the near-term consequences of Israel's annexationist policies. Their frustration with the PLO was not that it was wavering in its commitment to the complete liberation of Palestine, but that it did not seem capable of beginning negotiations with Israel over more attainable goals or of re-

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sponding to the actual needs of Palestinians in the territories confronted with the apparent Israelization of the territories. Studies of volunteer work cooperatives, health care organizations, women's organizations, trade unions, student associations, youth groups in refugee camps, and other grass-roots organizations repeatedly show that these mobilizing frameworks for collective action evolved gradually, from discrete, small-scale, cooperative responses to the practical needs of Palestinians in various sectors or locales, into networks linked through representatives of the various PLO factions to the overall nationalist movement.[10] The predominant tone of their nationalist appeals was not a rejection of compromise with Israel, but a more generalized commitment to Palestinian statehood and to the principle of basing the struggle for national rights on the empowerment of masses of Palestinians. The strategic emphasis was disengagement from Israel, leaving political and diplomatic decisions to the external leadership of the PLO.[11]

Nonetheless, McDowall's identification of the "popular organizations" as a crucial innovation in Palestinian resistance to the occupation, his contention that they emerged as the result of frustration with the PLO, his identification of the crucial role of activists from various PLO factions in their formation, and his argument that they formed the seedbed of the intifada are echoed by excellent studies published subsequently by Joost Hiltermann, F. Robert Hunter, and Salim Tamari. Although Hunter argues that the PLO sought to control the influence of grass-roots movements in the territories by authorizing mayors, intellectuals, and notables

[10] For accounts of the pre-intifada development of such grass-roots organizations and the crucial mobilizational role they played, see Islah Abdul Jawwad, "The Evolution of the Political Role of the Palestinian Women's Movement in the Uprising," in Hudson, 63–76; Lisa Taraki, "The Development of Political Consciousness among Palestinians in the Occupied Territories, 1967–1987," in Nassar and Heacock, 59–62; Mustafa Barghouthi and Rita Giacaman, "The Emergence of an Infrastructure of Resistance: The Case of Health," in Nassar and Heacock, 73–87; Hiltermann, passim; Husain Jameel Bargouti, "Jeep versus Bare Feet: The Villages in the *Intifada*," in Nassar and Heacock, 107–9; Peretz, 74; Salim Tamari, "The Palestinian Movement in Transition: Historical Reversals and the Uprising," in Brynen, 20–22; and Hillel Frisch, "MiMaavak Mizuyan Legiyus Politi: Temurot BiEstrategiya shel Ashaf BiShtachim" (From armed struggle to political mobilization: Trends in PLO strategy in the territories), in Gilbar and Susser (fn. 9), esp. 50–58. On the predominant role of the four major PLO factions in the territories, see esp. Hiltermann, 64–66, 173–217; Hunter, 65–66; Jarbawi (fn. 8), 296–300; and Jawwad, in Hudson.

[11] Regarding pre-intifada attitudes of West Bank and Gaza Palestinians toward a "separate state" solution with Israel, see Ann Mosely Lesch, *Political Perceptions of the Palestinians on the West Bank and the Gaza Strip* (Washington, D.C.: Middle East Institute, 1980); Emile Sahliyeh, *In Search of Leadership: West Bank Politics* (Washington, D.C.: Brookings Institution, 1988); Moshe Ma'oz, *Palestinian Leadership on the West Bank* (London: Frank Cass, 1984); Ann Mosely Lesch and Mark Tessler, *Israel, Egypt, and the Palestinians: From Camp David to Intifada* (Bloomington: Indiana University Press, 1989); Mohammed Shadid and Rick Seltzer, "Political Attitudes of Palestinians in the West Bank and Gaza Strip," *Middle East Journal* 42 (Winter 1988).

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to act as its semiofficial representatives, he also cites Fatah's mobilization of its West Bank supporters to compete with Communist Party/PNF organizing in the late 1970s as a key step in the development of a mass-based nationalist movement in the territories (pp. 31, 78–79). Hiltermann's book contains a detailed, informant-based analysis of Palestinian labor and women's organizations in the decade preceding the uprising. According to Hiltermann, the PLO provided the strategic context for these and other popular organizations to contribute to the nationalist movement. He criticizes intra-PLO factionalism as the biggest obstacle to the attainment of Palestinian rights and like other authors cites the PLO Congress in Algiers in April 1987, where substantial progress was made toward unity among rival organizations, as an essential precondition for the beginning of the intifada.

Hiltermann's main purpose, however, is to explain the growth of the popular organizations as the response of (mostly leftist) activists in the territories to the conservatism of Fatah's policies from the late 1970s to the mid-1980s. Although, as Hunter points out, the PLO authorized formation of mass-based organizations, the established leadership of Fatah channeled its monetary resources to businessmen, urban notables, and established professionals, thereby delaying the growth of these organizations and intensifying factional jealousies within them. But as these "joint (Jordanian-PLO) committee" funds dried up, disappearing entirely in 1985, the popular organizations were forced to find their own resources. Hiltermann identifies resource scarcity and intense competition among rival factions as conditions helping to lay the groundwork for the intifada by increasing the number of Palestinians mobilized by the unions and women's organizations. No longer able to depend on outside funds, they were forced to develop innovative techniques for responding to the concrete problems of their constituents. Fearful that their own organizations would be overshadowed by more successful rivals, each PLO faction, in every locality and organizational setting, worked desperately to mobilize recruits from among groups not previously drawn into political activity—especially women, refugees, and workers commuting to jobs in Israel. By competing with each other within each organizational setting the PLO factions not only added useful services to the nationalist appeals they offered but also decentralized and democratized their operations.[12] By proliferating at the grass-roots level, these organizations produced enough capable leaders in enough different localities to

[12] Hiltermann, pp. 65–66; Islah Jad, "From Salons to the Popular Committees: Palestinian Women, 1919–1989," in Nassar and Heacock, 131; Salim Tamari (fn. 10), 22; and Taraki (fn. 10), 67.

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frustrate the Israeli policy of decapitating Palestinian organizations by regularly imprisoning or deporting leaders who emerged at the national or regional level.

In one of his three contributions to these volumes Salim Tamari emphasizes the failure of the Palestinians in the territories to launch the uprising earlier. His explanation for this "nonevent" includes unusually pointed criticism of both the PLO and its most visible supporters within the territories (Tamari, in Brynen, 13–28). The funds for "steadfastness" (*sumud*) distributed by Jordan and the PLO, he argues, smothered the development of nationalist consciousness, reinforced the power of clan leaders and other traditional elites, and stifled the growth of effective forms of resistance—not in the least by allowing the Palestinian bourgeoisie to appear patriotic simply by staying in Palestine and feathering its nest. According to Tamari, the radically populist grass-roots organizations that propelled the intifada were the response of thousands of lower-echelon activists disgusted by the model of a nationalist resistance leadership whose only form of struggle was the construction of more lavish residences.

Tamari's candid and critical treatment reflects one of the many ironic symmetries between Zionism and Palestinian nationalism. A prominent and psychologically revealing theme in Israeli analyses of Zionism's success and its validity as a national movement is the extent to which the development of Zionism was a function of stresses, forces, ideas, and choices made *within* the Jewish community. By explaining outcomes as functions of *self-created* conditions and real struggles *inside* their community, for status, power, and material resources, Palestinian authors highlight in the structure of their argumentation the ontological integrity of their people's claim to separate national existence. By advancing this kind of analysis, rather than portrayals of Jews or Palestinians as reacting to or manipulated by outside forces, both Zionists and Palestinian nationalists have sought to establish their peoples as subjects, not just objects, of politics and history—even at the cost of exposing unattractive aspects of their own communities. Thus, much of the impetus for the kind of explanations for the intifada advanced in the work by Palestinians (and other sympathetic analysts, most notably Hiltermann) is to depict their people as commanding their own fate by reacting to their own self-created predicaments in creative and determinative ways.

An equally prominent theme in the studies under review is an effort to trace forms of Palestinian struggle and their differential success to the nature of the Palestinians' primary antagonist and to changes in Israeli politics and policies. On the simplest level this is the argument of the

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colonial dialectic. By seeking ruthless and complete domination over Palestinians in the territories, and by making real threats to force them out of Palestine altogether, the "internal colonization" of the territories is seen as having "sown the seeds of its own destruction," giving rise to counterhegemonic mobilization based on the unification of the entire Palestinian community.[13]

Construed as a colonialist phenomenon, one of the distinctive aspects of Zionism, both inside Israel and within the territories, is its exclusivity—its unwillingness, in principle as well as in practice, to consider non-Jews, and particularly Arabs, as capable of becoming full-fledged members of the Israeli-Jewish national community.[14] Jamal Nassar and Roger Heacock thus make a telling point in their discussion of the intifada's unprecedentedly successful campaign against collaborators and informers.[15] In light of Zionism's ethnonational exclusivity, and in the absence of any Israeli formula for satisfying minimal Palestinian political and material demands, they note that "even collaborators were never and could never have become convinced Zionists, proponents of Greater Israel, or even convinced advocates of Israeli occupation of Palestinian lands." Accordingly, the only Palestinians used in this way by the Israelis were individuals with highly suspect personal histories who commanded no respect among Palestinians generally and/or against whom the authorities could use various types of blackmail and bribery (Nassar and Heacock, 202). In this sense the ideological inability of Israel to advance a plausible hegemonic project for Palestinians as part of its control of the territories made those it called *shitufei peula* (collaborators) less useful than those who served the British (the Royal Irish Constabulary in Ireland; the Gurkhas and the Raj in India; the monarchy in Egypt) and French (tribal chiefs and *évolués* in French West Africa; traditional regional magnates in Morocco; the *harkis* in Algeria) in comparable capacities. This meant, ceteris paribus, that a united "anticolonialist" counter-

[13] Samih K. Farsoun and Jean M. Landis, "The Sociology of an Uprising: The Roots of the *Intifada*," in Nassar and Heacock, 19.

[14] See Ian S. Lustick, *Arabs in the Jewish State: Israel's Control of a National Minority* (Austin: University of Texas Press, 1980); and Yoav Peled, "Ethnic Democracy and the Legal Construction of Citizenship: Arab Citizens of the Jewish State," *American Political Science Review* 86 (June 1992), 432–43.

[15] This campaign against informers was highly successful in the first year of the uprising; but it degenerated later after a prolonged period of lawless conditions within Palestinian communities whose policemen had resigned, and as a result of systematic disinformation and ruthless counterintelligence operations by the Shin Bet and special Israeli army units disguised as Arabs. The best evidence for this sequence is the virtual prohibition imposed by Israeli censors on public discussion in Israel about Palestinian anticollaborationist activities in the first year of the uprising, followed, in 1989, by the high profile accorded by Israeli government officials to Palestinian killings of "suspected collaborators."

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mobilization was easier for Palestinians to achieve than it otherwise might have been.

I have already noted the extent to which these authors explain the grass-roots "cellular" nature of the uprising as an unintended consequence of Israeli policies that criminalized politics of any sort and targeted regionally or nationally based Palestinian leaders for imprisonment or deportation. In these works the timing of the intifada—the fact that it took twenty years to materialize—is also seen at least in part as a function of change in the nature of Israeli policies. Specifically, many of these authors trace the uprising to the consequences of the 1977 political "reversal" in Israel.[16]

The Labor Party–led coalition governments that formulated and implemented occupation policies from 1967 to 1977 were fundamentally ambivalent about the future of the territories, fearful of embarking on decisive attempts to absorb or relinquish them because of the imperatives of coalition politics, and convinced of the advisability of using a carrot-and-stick approach with the Arabs who lived there. Despite land expropriation, strict limits on water use, and irritating restrictions on their daily life, many Palestinians managed to get along, if not prosper economically, as long as they stayed well clear of politics. When the Likud replaced the Labor Party as the organizer of Israeli governments, however, the fundamental meaning of the occupation changed. Under Begin, Sharon, and Shamir, the official policy of the government was to do everything possible to ensure that the territories could have no future other than permanent absorption by Israel. The carrots were largely removed from Likud government policies toward the Arabs, massive land expropriations were implemented, and under Chief of Staff Rafael Eitan and Defense Minister Sharon, policies of repression became markedly more brutal and less discriminating. Along with large-scale programs of Jewish settlement, these policies were designed to make life for Arabs so miserable that as many as possible would choose to leave.

The effect, however, was to unify the Palestinian population behind the idea of struggling collectively against the occupation rather than seeking individual options of accommodation. Tamari's essay in the Nassar and Heacock volume, for example, focuses on the merchants and the urban bourgeoisie, groups that had managed to do rather well under the occupation until Israel's introduction of a value-added tax in the territories in 1976. When the second Likud government greatly intensified

[16] Israeli commentators have labeled the return of the Labor Party to power after the June 1992 elections, following fifteen years of Likud domination of the political scene, as another *maapach*.

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tax collection activities and staffed the military government with officers hostile to the very existence of Arab communities in the West Bank and Gaza, merchants, shopkeepers, and urban entrepreneurs found themselves unable to maintain their middle-class standard of living. This left them as frightened of the consequences of continued Israeli rule as other, previously more vulnerable classes of Palestinians. As Tamari puts it:

> A combination of increasing tax pressures and a shift in the perception of the military government, which now saw the urban middle classes as part of a hostile subject population rather than as part of a "pragmatic majority that wants to live quietly" (a shift that was itself brought about by the ascendancy to power, and the staffing of the military government, by extreme right-wing elements) . . . hastened the process of involving the shopkeepers as willful activists in the uprising.[17]

The most profound sense in which the intifada is a reflection of its antagonist has to do with Palestinian perceptions of Israel as "rational." Thus, the uprising is described by almost all of these analysts as in large measure an attempt to change the balance of costs and benefits experienced by Israelis in their rule of the territories—an attempt rooted in the belief or unexamined assumption that Israelis and the Israeli political system are rational enough to respond to determinations that the occupation is not worth the price needed to sustain it. Indeed, it is ironic that in the 1980s, while many Israeli antiannexationists were despairing of their country's decline into the irrationalities of Jewish fundamentalism and ultranationalism, and while others believed their state to be locked into an antiaccommodationist stance by processes of settlement pushed well beyond the "point of no return," most Palestinians retained an image of Israel, if not of the Likud government, as a rational, responsive, adaptive entity.

The strategic rationale for the intifada as a calibrated mobilization designed to effect profound changes in Israeli public opinion and Israeli government policies is manifested in these writings by evaluations of its relative success in terms of changes made in Israeli cost/benefit calcula-

[17] Salim Tamari, "The Revolt of the Petite Bourgeoisie: Urban Merchants and the Palestinian Uprising," in Nassar and Heacock, 163. Regarding this particular dialectic between exclusivist Israeli annexationism and the widening basis for Palestinian mobilization, see also Tamari (fn. 10), 14–18; Samir Abdallah Saleh, "The Effects of Israeli Occupation on the Economy of the West Bank and Gaza Strip," in Nassar and Heacock, 37–51; Farsoun and Landis (fn. 13), 19–27; and Hunter, 47. For a case study of a Palestinian family that illuminates how the transformation of Israeli policies under the Likud eliminated any economic opportunities for Palestinians willing to accommodate themselves to Israeli rule (thereby producing the basis for the broad, cross-class alliance of forces that produced and sustained the uprising), see Beshara Doumani, "Family and Politics in Salfit," in Lockman and Beinin, 143–54.

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tions regarding the value of continuing the occupation. All agree that the uprising changed these calculations. Most describe the occupation as having been a net benefit to Israel (in economic terms especially) before 1987 and a net drain afterward; they note this shift as a necessary but not sufficient condition for bringing an end to Israeli rule.

Raja Shehadeh, for example, while acknowledging the difficulties of estimation associated with Israel's refusal to announce its own budget for administering the territories, states "without reservation" that before the intifada "the occupation in no way constituted an economic burden for Israel." Quoting from work done by Meron Benvenisti's West Bank Survey Data Project, Shehadeh reports $800 million in nonlocal taxes paid to Israel by Arab inhabitants of the territories in the first twenty years of the occupation. Another $1 billion in insurance and benefits were deducted from the wages of Palestinians working inside of Israel and transferred to Israeli general accounts to which Palestinians have virtually no access. Other sources of revenue include a host of fees and permits required of Arabs in the occupied territories. In 1986, for example, $35 million was collected in permits, fees, and travel taxes at the Jordan River bridges.[18] By contrast, the Bank of Israel reported that in its first year the intifada cost Israel $650 million in export losses, reduced business sector production by 1.5 percent, sharply reduced Israel's "trade surplus" with the territories, and produced $180 million in "nationally motivated" arson. In September 1989 the Defense Ministry announced that it expected the simple military cost of fighting the uprising to reach $1.8 billion by the end of fiscal year 1990.[19]

In his somewhat more nuanced analyses Azmy Bishara portrays the intifada as having "made the occupation a losing economic proposition for Israel," but emphasizes that "the uprising cannot defeat Israel economically" (in Lockman and Beinin, 225–26). Because of the polarization of Israeli politics on the issue of the disposition of the territories, Bishara argues that transformation of the occupation into an economic and even political liability is a necessary but hardly sufficient condition for Israeli withdrawal. An Israeli decision to leave the territories, he suggests, will

[18] Shehadeh, "Israel and the Palestinians: Human Rights in the OTs," in Brynen, 37.

[19] Ibid., 38. Howard Rosen uses the figure of $1 billion, or 2–2.5% of Israel's annual GDP, as the cost of the intifada to the Israeli economy in 1988 and 1989. Rosen, "Economic Consequences of the Intifada," in Robert O. Freedman, ed., *The Intifada: Its Impact on Israel, the Arab World and the Superpowers* (Miami: Florida International University Press, 1991), 384. Quoting figures published in the Israeli press, Azmy Bishara reports that Israel's annual pre-intifada tax revenue from the territories exceeded its expenditures there by $143 million. See Bishara, "The Uprising's Impact on Israel," in Lockman and Beinin, 225–26. See also Peretz, 150–51. Samir Abdallah Saleh's judgment in 1989 was that if the intifada had not made the occupation a net economic liability for Israel, it had made it "tangibly less profitable." Saleh (fn. 16), 49.

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require more Israeli casualties, strong external pressure, and an alliance between Israeli antiannexationists and Palestinians to overcome the political power of the Israeli right wing and make the "irrationality" of the occupation politically decisive.[20]

The predominant view of the intifada—as the Palestinians' response to their confrontation with an adversary perceived to be at least sluggishly rational—is also reflected in the sparse and generally hostile treatment most of these authors give to the Islamicist dimension of the uprising. Apart from Jean-François Legrain's excellent treatment of the role played by Islamic Jihad and Hamas in the outbreak of the intifada in the Gaza Strip, and Schiff and Ya'ari's discussion of the difficulties encountered by Israeli interrogators as they sought to "crack" imprisoned members of these organizations (p. 230), few of these authors offer any serious consideration of Muslim fundamentalism in the uprising.[21] This lacuna is mainly attributable to the political sympathies of the authors. It reflects the dominant Palestinian view of Israel, at least as conveyed by these books, as rational, adaptive, and capable of change in response to convincingly and painfully sustained Palestinian demands. The Islamicists challenge this view, and undermine the strategy based upon it, by describing Israel as evil incarnate and rejecting any accommodation with the Jewish state. They equate the intifada with jihad and promote images of Israel as a blind, nonrational power structure incapable of satisfying the minimal needs of Palestinian Arabs. For Hamas and Islamic Jihad, the solution to the problem of the Palestinians is not, as the nationalist leadership of the intifada presents it, to elicit change in and from Israel (via application of direct or indirect pressures) but to define the problem as part of the worldwide challenge facing Islam and then to mobilize Islamic forces inside and outside of Palestine to destroy or dismantle the Jewish state.[22]

Consequences of the Intifada

It is not surprising that these books, written while the intifada was still unfolding, spend much more time explaining its etiology and dynamics

[20] Bishara, "The Third Factor: Impact of the Intifada on Israel," in Nassar and Heacock, 276–85.

[21] Jean-François Legrain, "The Islamic Movement and the Intifada," in Nassar and Heacock, 175–90.

[22] See, e.g., Lisa Taraki's attack on Hamas as either an instrument of Israel or a cynical attempt to carve out a niche for itself in the future Palestinian state as the "Islamic opposition." Implicit in Taraki's depiction of Israel, and of her praise of the UNLU for the "clarity of its political vision and . . . the concreteness of its aims" is that the Jewish state is substantially more rational than Hamas's desperate strategy implies. Taraki, "The Islamic Resistance Movement in the Palestinian Uprising," in Lockman and Beinin, 174–75.

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than its consequences. The Brynen and Hudson volumes do contain many contributions that treat the uprising's effects on various Arab countries, Europe, the Soviet Union/Russia, and the United States. But despite initial claims by the editors of these volumes about the powerful regional and international repercussions of the intifada, most of the essays show the opposite—that except for Jordan, Israel, and the Palestinian communities in Israel and the territories, the uprising has not been a watershed of any kind. Rather, both masses and elites elsewhere tended to experience it as one digressive, short-lived episode among many, which was soon subsumed within the patterns, cycles, and categories of political life in each country. In Egypt, Syria, and North Africa the impact of the uprising on events and attitudes was either marginal or short-lived or both. In the United States its impact, though also shallow, was nevertheless consequential, because of America's enormous importance in the Arab-Israeli political equation. Of greatest significance was the new impetus toward "evenhandedness" and diplomatic activism in American foreign policy in the waning months of the Reagan administration and during the Bush presidency.[23]

Among the Palestinians and in Israel, however, the uprising is portrayed as having effected a fundamental break with the past. Having finally succeeded in putting Israel on the political, diplomatic, and moral defensive, and with Jordan having officially and substantially cut its ties to the West Bank and Gaza, their Arab inhabitants, it is said, will never again be consigned to the political oblivion of the previous twenty years—neither by Israel nor by the PLO. The former leadership of the notables, already weakened, is now gone for good. If the uprising has not led to a revolution in gender relations or cultural attitudes, it has mobilized tens of thousands of men and women into an active engagement in political life of a sort they had never imagined possible.[24]

Within Israel, as Mark Tessler describes most systematically, the inti-

[23] The most useful discussions of the particular effects of the intifada in various Arab countries are Lamis Andoni, "Jordan," in Brynen, 165–94; and Fred Lawson, "Syria," in Brynen, 215–34. See also F. Gregory Gause III, "The Arab World and the Intifada," in Freedman (fn. 18), 191–219.

[24] Regarding the greatly increased clout of West Bank and Gaza Palestinians within the Palestinian movement as a whole, see Khalidi (fn. 8), 124–26. On the irreversible effect of the intifada's psychological, cultural, and political vitalization of the occupied territories on Palestinians, see Hanan Mikhail Ashrawi, "The Politics of Cultural Revival," in Hudson, 77–83; Rex Brynen, "Israel and Palestine: Implications of the Intifada," in Brynen, 7–9; and Hunter, 216. Regarding the displacement of traditional elites, see, for example, Bargouti (fn. 10), 110–18. On the significant but very incomplete success of Palestinian women in their efforts to use the intifada to advance gender equality, see Rita Giacaman and Penny Johnson, "Palestinian Women: Building Barricades and Breaking Barriers," in Lockman and Beinin, 155–70; Jad (fn. 11), 125–42; and Jawwad (fn. 10), 63–76.

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fada forced the previously most popular policy toward the territories—maintenance of the status quo—virtually to disappear from surveys of public opinion as an option favored by respondents. While short-run reactions included higher proportions of Israelis favoring mass deportations of Arabs, the more lasting and substantial effect of the intifada was to convince more Israelis more fully of the attractiveness of separating the two communities—whether by banning entry of West Bank and Gaza Arabs into Israel proper, deporting them from the territories, or by ending Israeli rule of the territories.[25] Although the rise to power of a Labor-led government that would in principle be willing to grant Palestinian demands for an end to Israeli rule was the central objective of the uprising leadership, no author anticipated that it would occur as rapidly as it did.

Still the most prominent judgments offered about the effects of the intifada on Israel are consistent with images of the Jewish state as at least sluggishly adaptive. Tessler and other authors stress the significance of reinvigorating the substantive importance of the pre-1967 border, the "green line" separating Israel from the territories. The intifada delivered a mortal blow to Israeli annexationist efforts to erase that line from the everyday life of Israelis, to routinize the incorporation of the territories into Israel and thereby remove the question of what to do with the West Bank and Gaza from the agenda of Israeli politics (Tessler, in Brynen, 63–66). If the Palestinians are ever to see an end to the occupation and the fulfillment of their demand for national self-determination, this reproblematization of the territories—making changing cost/benefit calculations meaningful in the Israeli political debate and relevant to Israeli policy choices—was a necessary step.[26]

A crucial element in this regard was the insistence of the intifada leadership and of the PLO outside that the appropriate role of Israeli Arabs (the "Palestinians of 1948") was not to join the uprising but to support it from within Israel with material assistance and political pressure. As Nadim Rouhana's research thoroughly documents, Israeli Arabs steered clear of integrating themselves into the uprising, which vividly reinforced the green line by allowing their legal status as citizens within Israel to take precedence over their emotional, national, and even family

[25] Tessler, "The Impact of the *Intifada* on Israeli Political Thinking," in Brynen, 43–96. The question of whether the Rabin government will actually reach and implement an agreement with the Palestinians that would lead to such an outcome is an open and quite different question. For another highly nuanced analysis of the impact of the first year and a half of the intifada on Israeli society, see Peretz, 119–62.

[26] See Ian Lustick, "Israeli State-Building in the West Bank and Gaza Strip: Theory and Practice," *International Organization* 41 (Winter 1987).

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ties to Arabs a few miles away in the West Bank and Gaza Strip.[27] As a result of what in this and other respects was an extraordinarily well calibrated struggle, leading Israelis to feel relatively safe on one side of the green line and in danger on the other, few Israelis could insist that there were no differences between Jewish-ruled territory on either side of the green line or that the eventual disposition of the West Bank and Gaza Strip was not an open and serious question facing the country.

The Intifada as Evidence for Theories of Collective Action

Conspicuously missing from these studies of the Palestinian uprising is any sustained discussion of conceptual or theoretical issues. With the partial exception of Hiltermann, no serious attempt is made to use theories or concepts of collective action or revolution to explain the onset, development, or consequences of the uprising. Nor are these authors interested in criticizing or corroborating claims advanced in those literatures on the basis of what they learned from the events they recounted. Even Hiltermann limits himself to introductory nods to work by Jeffery Paige and Charles Tilly and an overall Smelserian framework for considering how mobilizational facilities combine with increasing structural strain to produce mass political action.

The most prominent themes and motifs in these studies do, however, correspond to the main points of contemporary debate about how revolutions and other forms of collective action should be studied. Recall, for example, the strong attacks by most of these authors on "volcano" accounts of the intifada, accounts that attribute the uprising to an uncontrolled explosion of pent-up anger and resentment. These attacks echo what has now become conventional wisdom in pertinent theoretical discussions—rejection of efforts in the late 1960s and early 1970s to explain revolts, implicitly classified as nonrational, violent, and/or "deviant" outbursts of disorder, by aggregate measures of discontent, frustration, or anomie.

The single most important theoretical impetus for studying the relationship between discontent and collective action has been rational choice. Rational-choice and game-theoretic models encourage analysts to replace images of the "irrational mob" with models of dissidents as motivated by the same rationalist calculi as operate in the minds of those

[27] Rouhana, "Palestinians in Israel: Responses to the Uprising," in Brynen, 97–117. For a different view, one more reflective of traditional Israeli Arabist perspectives, stressing the uprising's "Palestinianizing" impact on Arabs in Israel, see Elie Rekhess, "The Arabs in Israel and the Intifada," in Freedman (fn. 19), 343–69.

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representing the "forces of order." Equally important in explaining the enthusiasm with which rational-choice models have been applied to revolution and revolt is that the main intellectual challenge confronting rational-choice theory—explaining collective action despite the logical force of the free-rider problem—is posed starkly in studies of illegal mass political action, where, it would appear, risks associated with participation are high and the salience of individual contributions negligible. By studying popular revolts and revolutions, scholars can test the validity of their conceptual inventions while responding to an important challenge in a prestigious academic field.

Monographic studies of episodes of illegal mass collective action, including the kind of work reviewed here, provide both comparativists and collective-action theorists with a way to respond to the claim of Edward Mueller and Karl-Dieter Opp that thought experiments and survey research are the only methods for determining how collective-action problems are really solved.[28] Intensive, nonquantitative consideration of specific cases provides an attractive and popular alternative for testing hypotheses or at least corroborating hunches.

The difficulty with this approach is that the ideographic renderings of the cases upon which the individual theorists rely to test their theories are themselves organized around prior, usually implicit determinations of which variables and which mechanisms were responsible for outcomes. Such an expectation does not require any conscious suppression of unfavorable evidence. All that would be required is the expectation that political scientists facing their operational database (that is, the monographic literature on their cases) would exhibit the same tendency toward "experimenter demand" that is so well established in the social psychology literature. It has been amply documented in that field that unless precautions are taken to ensure that subjects are blind to the purpose of the research, or even under false beliefs about its purpose, the likelihood of responses supportive of the investigator's hypothesis is significantly increased. The same logic applied in this domain, where the database is monographic literature rather than responses by experimental subjects, leads to the expectation that researchers will treat some sources and some interpretations or readings of sources as more salient and persuasive than others. Specifically, it is highly probable that sources or interpretations of sources that are supportive or consistent with theories and hypotheses under consideration will be deemed more salient than those organized according to different categories and/or whose findings

[28] Mueller and Opp, "Rational Choice and Rebellious Collective Action," *American Political Science Review* 80 (June 1986), 475.

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run counter to hopes or expectations. Monographic treatments of the intifada, for example, are better understood as writings *of* it—accounts that, in a sense, create it (for the comparativistically inclined analyst)—rather than as discussions *about* it, which would imply some independent and unambiguously available narrative of what it was or is.

This reality means that the actual role of monographic evidence for the collective-action theorists is not to provide a transparent, inclusive record of "the facts" with which to test and refine independently generated theories. Instead, when theorists cite such material in support of their propositions, we learn that the hypothesis or theory advanced by the researcher, or at least the underlying categories, was also the hypothesis, theory, or categories chosen by the author of the monograph as best able to elucidate the "facts" as he/she had collected them. It is therefore no simple matter to mobilize secondary source material in *decisive* support of one set of theoretical claims over others. At the same time it is unnecessarily pessimistic to ignore the usefulness of the weight of monographic evidence, indicating, ceteris paribus, that the postulates and lines of analysis judged most useful by those closest to the primary sources are consistent with theories advanced by the researcher.

Both the promise and the limitations of this strategy for testing solutions to the collective-action problem can be illustrated by showing that many of the contending claims of those who have been grappling with it can find support in the record of the intifada, a record substantially established by the works under review.

In 1981 Harvey Waterman characterized the theories of rebellion, revolt, and revolution that had been popular in the 1960s and early 1970s as assuming the nonrational character of mass revolutionary action. This approach traced illegal mass action to the emotions of crowds and explosions of accumulated passions unconnected to calculations that collective mobilization could effect desired improvements. This approach, which was associated with models of relative deprivation, notions of anomie, and images of disequilibrium, discouraged consideration of collective political action as the product of rational calculation. Rather, it treated the occurrence of uprisings or revolts as an artifact of particularly stressful junctures in the process of modernization, or it focused on violence (deemed deviant) as the dependent variable rather than on the broader and analytically more interesting category of collective political action.

To evaluate this overall perspective, Waterman surveyed the findings of fifty-eight studies of mass political activity. In Waterman's account, scholarly treatments of cases ranging from the Poujadists, to the East German revolt of 1953, to the Basque national revival movement were

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seen as having advanced much beyond the older nonrational, "expressivist," or accidental constructions of collective political action.[29] Waterman argues that by understanding collective political action in value-added terms, newer work was able to link claims about historical, economic, or social preconditions for various types of mobilization to a model of mass mobilization as rational—a function of the perceived desirability of mass action by participants purposively seeking to better the circumstances of their lives. Waterman's basic point corresponds directly to the rejection by most writers on the intifada of "volcano" models of the uprising, and to their vigorous insistence on the collective rationality of Palestinian behavior—including mass demonstrations, riots, stone throwing, and harassment—as calculated to have specific and beneficial political consequences.

From the perspective of most work on the topic during the last decade, however, it is Waterman's perspective that seems archaic. Implicitly he assumed that there is always a latticework of organizations among potential participants in collective political action, thereby permitting expression of the collective rationality of action despite what would appear to be the irrationality for any single individual to take the risks or pay the costs of participation. In the Palestinian case it was precisely the absence of organizational frameworks in the 1960s and 1970s and their crystallization in the 1980s that made the intifada possible. Closer to the mark, therefore, is Rod Aya's critique of theories of revolution associated with Ted Robert Gurr, James C. Davies, Neil Smelser, and Chalmers Johnson. Like Waterman (and most writers on the intifada), Aya insists that "collective violence is no mere eruption of rage" and cannot be satisfactorily explained by treating it as an epiphenomenon of social change, as a reflection of disequilibrium, or as the result of shifts in aggregate levels of discontent, whether absolute or relative.[30] Reflecting work done by Charles Tilly and his students, Aya emphasizes the political, organizational, and mobilizational tasks that need to be accomplished to translate diffuse anger into collective political action and that, once accomplished, provide strategic explanations for its occurrence. In the treatments of the intifada surveyed above, the theme of the uprising as a result of disciplined political organization by Palestinians who had too often been deemed only objects but not subjects of history conforms pre-

[29] Waterman, "Reasons and Reason: Collective Political Activity in Comparative and Historical Perspective," *World Politics* 33 (July 1981), 558–60.

[30] Aya, "Popular Intervention in Revolutionary Situations," in Charles Bright and Susan Harding, eds., *Statemaking and Social Movements: Essays in History and Theory* (Ann Arbor: University of Michigan Press, 1984), 326.

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cisely to Aya's critique of older theories of revolution and the proper new orientation of what he calls "the political model of mass mobilization."[31]

Beginning in the late 1970s, analysts of revolutions and other less spectacular forms of collective political action have taken as givens its value-added character, its collective rationality, and the need for organized, mobilizing frameworks for action. These assumptions have allowed and encouraged them to frame their analyses more specifically as explanations of collective political action, especially revolutionary behavior, by identifying mechanisms for overcoming the free-rider problem, that is, for producing collectively rational coordinated activity out of what would appear to be individually irrational choices. Although writers of the intifada virtually never explicitly cite this work as inspiration or support for their own arguments, most of the mechanisms identified or hypothesized by collective-action theorists can be found in the works reviewed here, as they seek to specify (1) the mobilizational techniques and responses that translated generalized discontent into sustained collective action and (2) the larger circumstances that account for the occurrence of revolutionary mobilization only in the late 1980s and not earlier.

In his influential work on revolutionary activity by Vietnamese peasants, Samuel Popkin emphasizes the importance of locally active political entrepreneurs who offer peasants the opportunity to solve existential problems by collective action with revolutionary payoffs.[32] Once they are convinced that only through cooperation can they survive, and knowing that noncooperators will benefit much less, if at all, from the direct action of those who do cooperate (such as raiding Japanese food-storage facilities), cooperation rather than defection becomes a dominant strategy. A subsidiary but crucial element in Popkin's account is the role that countrywide organizations and ideologies play in providing local entrepreneurs with the information, skills, and reputation for trustworthiness they need to begin the mobilization process. Another dimension of his "solution" to the free-rider problem is akin to one suggested originally by Mancur Olson, namely, that if groups are small (for example, organized on the village level), monitoring of defectors is expected, the risks of free riding are increased, and the rationality of participation enhanced.

Ample support from the Palestinian case is available for Popkin's model of rational villagers mobilized by local entrepreneurs to "bootstrap" themselves over the free-rider problem into mass collective action.

[31] See Aya, "Theories of Revolution Reconsidered," *Theory and Society* 8 (July 1979).

[32] I draw from Popkin's account in his essay "Political Entrepreneurs and Peasant Movements in Vietnam," in Michael Taylor, ed., *Rationality and Revolution* (Cambridge: Cambridge University Press, 1988).

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Hiltermann, for example, shows in great detail how operatives of the various PLO factions with nationalist, revolutionary motivations created grass-roots techniques for providing, through participation in labor unions, youth organizations, and women's groups, needed services to individual Palestinians.[33] Precisely consistent with Popkin's model is the identification in many of these studies of several thousand local leaders active in networks of small, local, grass-roots organizations. Through these organizations, leaders could provide selective, concrete benefits to participants, monitor individual defections, and ready themselves to shift the mobilizational potential of their groups to a national struggle when the opportunity presented itself. Equally consistent with Popkin's argument is the emphasis I have noted in these same studies on the importance of the PLO's overarching position as the recognized representative of Palestinian nationalism and the status of local bootstrapping leaders as representatives of the PLO through its various factions. There is, however, one mechanism of bootstrap mobilization that receives little attention from Popkin but is identified (though not named as such) by Hiltermann, Tamari, Jad, and Taraki—competitive intensification of factional efforts to expand constituencies by providing new incentives.[34]

In contrast and in response to Popkin's work, James Scott and Michael Taylor have cited as primary one of the factors that Popkin treats as subsidiary—a preexisting sense of community among participants in collective revolutionary action that makes it possible for organizers to appeal to the rationality of their constituents as a basis for participation.[35] Indeed evidence for this critique is as available in the accounts of the intifada I have surveyed as is material illustrating Popkin's argument. Two important themes recur in discussions of the etiology of the uprising and its resilience: the vitalization of nationalist consciousness in the occupied territories in the decade prior to the uprising and the solidarities of family, clan, neighborhood, and locale that lay behind the willingness of individuals to take the risks associated with confronting Israeli soldiers and Shin Bet (security service) agents. The crucial early role in the uprising played by villagers and inhabitants of refugee camps is vividly depicted: close-knit communities transformed themselves from be-

[33] On the crucial activity of intifada activists as seeking, with direct services to constituents, to "outadminister" the Israeli authorities and draw previously nonpoliticized individuals into the national struggle, see Hiltermann, 53–57, 68, 78, 87–89, 126–28, 143, 163–72, 209–11; Hunter, 121–41; George T. Abed, "The Economic Viability of a Palestinian State," in Hudson, 210–11; and other sources cited in fn. 10.

[34] See fn. 10.

[35] See Scott, "Hegemony and the Peasantry," *Politics and Society* 7, no. 3 (1977); and Taylor, "Rationality and Revolutionary Collective Action," in Taylor (fn. 32).

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ing convenient for the operation of informer networks to protective and supportive environments for self-help projects and militant resistance.[36]

Michael Hechter's argument is a representative response to this "community," "iterated game," or "preexisting norm" explanation for collective action. Examined closely, writes Hechter, these notions camouflage some larger, already solved collective-action/free-rider problem and so cannot themselves be considered the solution to the problem itself. Returning to Popkin's theme, Hechter emphasizes the key role of formal organizations (in contexts permitting monitoring of contributions to joint efforts) in activating community solidarities and associated norms.[37] This line of argument is also present in depictions of the intifada. Indeed, virtually all the accounts just cited as emphasizing preexisting or latent community identities as ingredients in the intifada include at least some discussion about how the actions of specific kinds of individuals with more education, prison experience, ideologically organized beliefs, direct ties to PLO factions, and/or special leadership qualities were instrumental in eliciting these identities and endowing them with revolutionary meaning.

Following Mancur Olson, traditional rational-choice approaches have little difficulty explaining why elites participate in collective action: the payoff for collective success is tangible, direct, and individual—the consolidation or advancement of their status as leaders. This "selective incentive" explanation for activism by elites is less satisfying, however, to the extent that the following conditions are present: the settings involved are only embryonically organized, the size of the group to be organized is small (and hence, presumably, less "profitable" to lead), the prospects of success are dim, the cost of failure is extremely high, and the number of competing or parallel groups is large. Under these circumstances, explaining activism by elites or by those who view themselves as potential leaders faces virtually the same free-rider problem as does explaining nonelite participation. In very great measure these are the circumstances

[36] On the crystallization of a distinctive Palestinian nationalist consciousness among Arabs in the territories in the 1970s and 1980s and its relationship to the intifada, see especially Taraki (fn. 10), 53–71. On the emergence of latent *gemeinschaft* affinities in Palestinian villages and refugee camps as an ingredient in the uprising, see Adil Yahya, "The Role of the Refugee Camps," in Nassar and Heacock, 91–106; Bargouti (fn. 10), 107–23; Hunter, 120–48; Penny Johnson and Lee O'Brien with Joost Hiltermann, "The West Bank Rises Up," in Lockman and Beinin, 29–42; Anita Vitullo, "Uprising in Gaza," in Lockman and Beinin, 43–56; Melissa Baumann, "Gaza Diary," in Lockman and Beinin, 57–66; and Giacaman and Johnson (fn. 24), 155–70. For illustration of the complex interconnections between familial and local community ties that bind individuals together while opening opportunities for collaborators to penetrate villages on behalf of the Israeli authorities, see Helen Winternitz, *A Season of Stones: Living in a Palestinian Village* (New York: Atlantic Monthly Press, 1991).

[37] Hechter, "Comment: On the Inadequacy of Game Theory for the Solution of Real-World Collective Action Problems," in Karen Schweers Cook and Margaret Levi, eds., *The Limits of Rationality* (Chicago: University of Chicago Press, 1990), 240–49.

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under which the intifada was ignited and sustained. Hence, the problem is posed: why would thousands of people, despite the risks and costs, make such enormous individual efforts to assemble separate, largely self-contained organizations and committees? In this instance, after all, they had no reason to think that their individual efforts would make a decisive contribution to the end of the occupation or advance them toward leadership positions within the Palestinian community as a whole.[38]

One approach to this problem departs in two important ways from Olson's seminal treatment: by considering the "psychic rewards" of various behaviors as part of the economy of rational choice; and by introducing differences among interacting rational actors in the sophistication or substance of their intrapsychic operationalization of rationality. Mueller and Opp argue that rebellious behavior is best explained by a combination of sophisticated calculations of the relationship between public goods and private interest. These calculations lead individuals to perceive their personal interests as best served by redefining Prisoners' Dilemma–type games as assurance games. Mueller and Opp also cite a "martyr syndrome," which leads some participants to prefer the risks of great personal sacrifice to inaction that does not advance prospects for achieving public goods.[39] Jon Elster's treatment emphasizes the differential internalization of social norms, leading to a dynamic mixture of motivations among those having to choose whether to participate in collective action.[40] Timur Kuran explains the puzzling suddenness of revolutionary upheavals by postulating differences in the propensity of individuals to tolerate the psychic distress of contradicting private preferences or beliefs with public behavior. Embracing a kind of Guevarist "foco" theory of collective action, Kuran proposes that cascading patterns of transformation—from collective apathy toward acquiescence in, or support for, an authority structure, to collective defiance and explicit renunciation of its claims—are traceable to the catalytic effect of actions by individuals with low thresholds for tolerating psychic dissonance when many other individuals are near their thresholds.[41]

An obvious difficulty associated with testing this sort of approach to

[38] According to one estimate, there were 45,000 "popular committees" at the neighborhood, village, and block level in the occupied territories by mid-May 1988. *New York Times*, May 15, 1988. Cited and discussed by Jamal R. Nassar and Roger Heacock, "The Revolutionary Transformation of the Palestinians under Occupation," in Nassar and Heacock, 199.

[39] Mueller and Opp (fn. 28), 471–88. For accusations that Mueller and Opp have abandoned rational choice altogether and for their response, see George Klosko, Edward N. Mueller, and Karl-Dieter Opp, "Rebellious Collective Action Revisited," *American Political Science Review* 81 (June 1987), 557–66.

[40] Elster, *The Cement of Society: A Study of Social Order* (Cambridge: Cambridge University Press, 1989), 1–49, 248–87.

[41] Kuran, "Now out of Never: The Element of Surprise in the East European Revolution of 1989," *World Politics* 44 (October 1991).

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collective action is the need to observe intrapsychic phenomena in order, for example, to classify individuals according to Elster's different types of moral rationality and to do so independent of the behavior these differences are supposed to produce.[42] Nevertheless, many of the themes and motifs within the literature on the intifada are not only consistent with the claims and models put forward by Mueller and Opp, Elster, and Kuran, but also support their insistence that revolutionary collective action cannot be explained within the parameters of what Elster and Taylor have called "thin rationality."[43]

There are of course plenty of references in the works under review to the heroism, self-sacrifice, and dedication of Palestinian participants in the intifada. Anecdotes abound of individuals and villages willing to endure great hardship to make minor material or symbolic contributions to the collective struggle, and there are many descriptions of the sense of satisfaction reported by those whose losses would appear to have been most severe, including the "mothers of martyrs." The very secrecy that protected the identity of midlevel activists and made possible the sustained operation of the United National Command of the Uprising also deprived that leadership of almost any hope of personal reward for its efforts. Schiff and Ya'ari, Peretz, Said, Hunter, and Jarbawi emphasize an accumulation of rage and humiliation that seemed, in combination with catalytic instances of exemplary sacrifice, suddenly to reverse the terms of the collective-action problem. It shattered the psychological barrier of fear, which in turn removed the deterrent effect of the Israeli army, reduced the external cost of bringing public behavior in line with private preferences, and forced those seeking the most prudent course to adopt public behaviors consistent with the intifada rather than with the demands of the Israeli authorities.[44]

A prominent point of contention in treatments of revolution relates to the agent-structure problem. As Theda Skocpol has framed it: to what extent do revolutions (and we may say other sorts of mass collective action) "come"; to what extent are they made? Typically, "structuralist" approaches such as those advanced by Eric Wolf, Jeffery Paige, and Skocpol are counterposed to "voluntarist" arguments such as those of Taylor, Popkin, and Scott. As is often pointed out, however, these approaches are not necessarily contradictory. Structuralist theories can be

[42] There is of course the additional practical problem of making the required observations of so many individuals while a revolutionary process is under way.

[43] See Taylor (fn. 35), 66–67.

[44] See, e.g., Edward Said, "Intifada and Independence," in Lockman and Beinin, 14; Jarbawi (fn. 8), 296; Peretz, 39–52; Joe Stork, "The Significance of Stones: Notes from the Seventh Month," in Lockman and Beinin, 67–80; and Hunter, 89, 220.

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understood as identifying the conditions shaping the distribution of probabilities that one or more of the "voluntarist" techniques for overcoming the collective-action problem will succeed. When Goodwin and Skocpol predict revolution as more likely in colonial settings characterized by exclusionary policies, featuring cross-class solidarities among the excluded, and incentives for broad-based, illegal mobilization, they are in effect identifying the conditions which make it more probable that Popkin's service-oriented, bootstrapping entrepreneurs, Elster's "everyday Kantian" activists, or Kuran's "foco" exemplars will produce solutions to the free-rider problem that can match mass action to aggregate rationality.[45]

Again, Goodwin and Skocpol's argument predicting revolution from the characteristics of the political space permitted by the governing regime for the expression of discontent finds substantial corroboration in the timing of the intifada and in the nature of Likud policies toward Arabs in the territories. They were policies that led virtually all Palestinians to consider themselves as equally and dangerously at risk from a continuation of the occupation. A similar sort of integration of structure and agency in explanations of collective action is achieved by Jeffrey Berejikian. Drawing on the work done by Amos Tversky and his collaborators on asymmetric framing of decisions in order to mitigate losses or to pursue possible gains, Berejikian argues that revolution is much more likely (that is, the various obstacles to collective action are more likely to be overcome) when discontent is framed as a response to threats of loss rather than as associated with missed opportunities for gain.[46] That is, of course, precisely what Tamari, Hunter, Peretz, Schiff and Ya'ari, and others whose work I have summarized say about the nature and effect of Likud policies of de facto annexation, of substituting sticks for all carrots in the implementation of occupation policy, and of the frighteningly prominent discussion of mass deportation as a solution to the "Arab problem."

In sum, then, the experience of the intifada, at least as presented in the works under review, provides strong support for the argument that new kinds of organizations are likely to be the decisive variable in producing sustained collective action where before there had been only widespread discontent. These are organizations that match real needs of individuals

[45] Jeff Goodwin and Theda Skocpol, "Explaining Revolutions in the Contemporary Third World," *Politics and Society* 17 (December 1989). This is the only theoretical or general work of which I am aware that explicitly includes the intifada as a case, or potential case, of revolutionary collective action.

[46] Jeffrey Berejikian, "Revolutionary Collective Action and the Agent-Structure Problem," *American Political Science Review* 86 (September 1992), 647–57.

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to larger political purposes and are designed for, evolved in accordance with, or correspond to the distinctive contours of available political space, that is, the particular combination of constraints and opportunities that doom some forms of struggle while enabling others. With respect to the occurrence, timing, and persistence of the intifada, this conclusion accords, not only with the best substantiated and most frequently cited claims within the monographic works under review, but also, happily, with the general direction taken by theorists of collective action over the last decade.

To be sure, a host of less popular explanations of mass collective action, such as the crucial contribution of young people or the importance of the "entertainment value" of such activity, could also find corroboration within this body of work on the intifada.[47] In conclusion it is worth repeating, however, that there is at least one important explanation for the nonoccurrence of collectively rational action that no writer on the intifada even implicitly uses to explain why the uprising took more than twenty years to erupt. This unused line of argument is based on the distortion of individual perceptions and calculations associated with hegemonic beliefs. One might be tempted to infer support from this lacuna for James Scott's strenuous rejection of hegemonic explanations for patterns of collective inaction (at least among peasants).[48] It would be wrong to do so, since neither Likud nor Labor governments in Israel have even attempted to find a basis for advancing a hegemonic formula attractive to Palestinians. Nevertheless, the very absence of attempts by Israel to mystify its domination of Palestinians in language that Palestinians might conceivably accept and the unavailability of a plausible basis for such an appeal are themselves excellent reasons to predict that as long as the Palestinians remain in the occupied territories and under Israeli rule, the collective-action problem will not be a decisive barrier against sudden rebellion or sustained resistance.

[47] Gordon Tullock, "The Paradox of Revolution," *Public Choice* 11 (1971). On the vanguard role of youth in the uprising and the obvious thrill involved in confronting confused Israeli soldiers in the first weeks of the uprising, see Stork (fn. 44), 67–81; Hunter, 67; Hiltermann, 42, 210; Johnson and O'Brien with Hiltermann (fn. 36), 34; and Legrain (fn. 21), 186.

[48] See Scott, *Weapons of the Weak* (New Haven: Yale University Press, 1985). For evidence directly challenging Scott's thesis, see Susan C. Stokes, "Hegemony, Consciousness, and Political Change in Peru," *Politics and Society* 19, no. 3 (1991).

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WHEN EFFECT BECOMES CAUSE
Policy Feedback and Political Change

By PAUL PIERSON*

Gøsta Esping-Andersen. *The Three Worlds of Welfare Capitalism*. Princeton: Princeton University Press, 1990, 248 pp.
Peter Hall, ed. *The Political Power of Economic Ideas: Keynesianism across Countries*. Princeton: Princeton University Press, 1989, 406 pp.
Douglass C. North. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press, 1990, 152 pp.
Theda Skocpol. *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States*. Cambridge: Belknap Press of Harvard University Press, 1992, 714 pp.

ACTIVE government is a central feature of modern life. In advanced industrial democracies, anywhere from 30 to 60 percent of GNP is filtered through government programs. In addition to these massive public systems of resource extraction and deployment, governments exert a major influence on social relations through an unquantifiable but pervasive set of prohibitions and requirements. This extensive activity makes it very likely that, as E. E. Schattschneider argued over a half century ago, "new policies create a new politics."[1] Yet political scientists were slow to incorporate Schattschneider's insight into their models of politics, treating policy as the result of political forces (the dependent variable), but rarely as the cause of those forces (the independent variable). In the past decade or so, this has ceased to be true. Scholars working on a range of empirical issues have begun to emphasize that "policies produce politics."

The massive twentieth-century expansion of the role of government has clearly contributed to this new orientation. Increasing government activity made it harder to deny that public policies were not only outputs of but important inputs into the political process, often dramatically reshaping social, economic, and political conditions. Intellectual developments have also fostered this shift in research. The "postbehavioralist" turn toward investigating the structural constraints facing individual ac-

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[1] E. E. Schattschneider, *Politics, Pressures and the Tariff* (New York: Prentice-Hall, 1935), 288.

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tors has led scholars working from a variety of perspectives to begin identifying the ways in which the formal and informal rules of the game in political and social life influence political behavior. To date, most analysis has centered on formal governmental institutions and political organizations.[2] However, major public policies also constitute important rules of the game, influencing the allocation of economic and political resources, modifying the costs and benefits associated with alternative political strategies, and consequently altering ensuing political development.

The increased scope of public policy and the close fit between the concept of policy feedback and a new social science agenda has fueled a growth of research on the topic. The emergence of a substantial and broadly persuasive literature on policy feedback represents a considerable achievement for what might be called a "historical institutionalist" approach to comparative politics.[3] Historical institutionalist analysis is based on a few key claims: that political processes can best be understood if they are studied over time; that structural constraints on individual actions, especially those emanating from government, are important sources of political behavior; and that the detailed investigation of carefully chosen, comparatively informed case studies is a powerful tool for uncovering the sources of political change. Yet if the scholarship discussed below suggests the strengths of this approach, it also reveals important limitations.

This new research raises the prospect of significantly improving our understanding of politics. However, while recent scholarship has emphasized that past policies themselves influence political struggles, moving from this general statement to more specific propositions about *how* policy structures matter has proven to be difficult. It is too easy to let a label substitute for an argument—a dangerous practice when the label is in fact an umbrella term covering a wide range of sometimes incompatible propositions about the political world. Asking how previous policy de-

[2] For a range of "new institutionalist" analyses, see Peter B. Evans, Dietrich Reuschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985); James G. March and Johan P. Olsen, *Rediscovering Institutions: The Organizational Basis of Politics* (New York: Free Press, 1989); Kenneth A. Shepsle, "Studying Institutions: Some Lessons from the Rational Choice Approach," *Journal of Theoretical Politics* 1 (April 1989); and Stephen Skowronek, *Building a New American State: The Expansion of National Administrative Capacities, 1877–1920* (Cambridge: Cambridge University Press, 1982).

[3] In addition to the scholarship of Theda Skocpol reviewed in this essay, see, for example, Skowronek (fn. 2); Peter A. Hall, *Governing the Economy: The Politics of State Intervention in Britain and France* (Oxford: Oxford University Press, 1986); and Sven Steinmo, Kathleen Thelen, and Frank Longstreth, eds., *Structuring Politics: Historical Institutionalism in Comparative Analysis* (Cambridge: Cambridge University Press, 1992).

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cisions are being used to explain later developments quickly reveals not one argument but many. Either these specific arguments are often not clearly spelled out, or the scope of their application remains unexplored.

This essay investigates the range of arguments that lie behind the general label of policy feedback. Part of my purpose is to indicate the sheer range of existing work, which provides compelling evidence that the analysis of policy feedback constitutes a major research frontier in comparative politics. The discussion also seeks to help scholars expand their investigations of policy feedback. Because researchers have not clearly specified the range of ways in which policies can affect politics, they have often failed to identify important paths of influence. I will argue that there are significant feedback processes—particularly those directly affecting mass publics rather than bureaucrats, politicians, or organized groups—that have yet to receive sufficient attention. Indeed, there is reason to expect that the effects on mass publics may turn out to be the most important political consequences of government growth.

The main goal of this article, however, is to encourage improved use of an increasingly popular type of explanation. The broad claim that "policies produce politics" has been important. Now that we know policy choices have political consequences, however, what needs to be determined is precisely how, when, and where particular effects are likely to occur. We need to ask more complex questions about the extent and operation of feedback. Providing empirical support for specific claims is beyond the scope of this essay. However, it is possible to raise some central questions that deserve attention and to outline some plausible and testable hypotheses about the range and impact of various feedback effects that would reward further study. A close investigation of existing research reveals that particular routes of inquiry are more promising than others. It also suggests that some of the most promising lines of research must draw heavily on work in other traditions, especially rational-choice theory, and that many of the most pressing questions will be difficult to answer through the case study approach that has been the favored tool of historical institutionalists.

The following discussion makes no attempt to offer a comprehensive evaluation of the works considered. In several instances, a focus on policy feedback was not the author's central interest. Yet each has made important contributions to an understanding of the political consequences of public policies. I begin by considering arguments about the ways in which policies provide resources and incentives for political actors, before turning to arguments that concentrate on the cognitive consequences of public policies.

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Policies as Producers of Resources and Incentives

Analyses that stress the ways in which political systems confer resources on individuals and create incentives for them are the bread and butter of contemporary political science. By virtue of their location within a political system, particular actors may have direct access to significant political assets. These may be material, but an even more important asset may be access to authority—the capacity to issue commands and take other steps with a reasonable expectation that others will accept these actions as legitimate. Political systems also create incentives, which do not directly confer resources but help to define the alternatives available to individual actors. Incentive structures influence the probability of particular outcomes and the payoffs attached to those outcomes. Individuals choose, but the conditions that frame their decisions provide strong inducements to make particular choices.

While often associated with rational-choice theory, it is worth stressing that these arguments are compatible with the central claims of many investigations operating outside that tradition. Often, the difference between rational-choice and ostensibly competing approaches concerns the explicitness of certain assumptions and the preferred methodologies rather than more fundamental disagreements about the major determinants of political action. For most political scientists operating both within and outside rational-choice frameworks, resources and incentives are key.

Given the scope of modern government, it would be hard to deny that public policies provide resources and incentives that may influence political action. Yet how, and how often, are these feedback effects important? Resource/incentive arguments have been used to support claims of significant policy feedback on social groups, government elites, and mass publics. Perhaps the most successful line of research on policy feedback emphasizes the resource/incentive effects of policies on *social groups*. If interest groups shape policies, policies also shape interest groups. The organizational structure and political goals of groups may change in response to the nature of the programs they confront and hope to sustain or modify.

Interest Group Effects

The activity of interest groups often seems to follow rather than precede the adoption of public policies. This is a central theme in Theda Skocpol's *Protecting Soldiers and Mothers,* which represents both a major contribution to our understanding of American social policy before the New Deal and a considerable theoretical achievement. More than any other

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scholar, Skocpol has been at the center of efforts to use historical institutionalist analysis to understand the dynamics of policy feedback. *Protecting Soldiers and Mothers* provides her most sustained effort to show how these processes work in a particular historical case. The prominence Skocpol gives to this variable suggests that, even before the arrival of "big government," policy choices could have major political consequences.

Skocpol identifies "changes in social groups and their political goals and capabilities" (p. 58) as one of two major types of policy feedback. In emphasizing the linkage between policies and interest groups, she echoes a common theme. Jack Walker's detailed investigation of interest groups in the United States, for example, noted that "the steady expansion of the federal government figures as one of the major causes of the recent growth of new organizational devices for linking citizens with their government."[4]

As in much of the research on policy feedback, however, arguments about the relationship between previous policies and patterns of interest articulation are quite diverse, and analysts have not always been careful to specify precisely what the relationship between the two variables might be. Policies provide both incentives and resources that may facilitate or inhibit the formation or expansion of particular groups. The incentives stem primarily from the major social consequences of specific government actions. Public policies often create "spoils" that provide a strong motivation for beneficiaries to mobilize in favor of programmatic maintenance or expansion. Skocpol cites the case of Civil War pensions: "After initial legislative liberalizations, veterans became self-consciously organized and mobilized to demand ever improved benefits" (p. 59).

Exactly who is induced to mobilize will often depend on the precise nature of policy interventions. In an influential article, Weir and Skocpol suggested that a crucial difference between Swedish and U.S. social policies during the 1930s was that the former helped to cement a farmer/worker political alliance while the latter did not. The Swedish Social Democrats devised a system of price supports without production controls that was attractive to small farmers. The structure of New Deal agricultural policies, by contrast, activated affluent farmers who had little inclination to establish common cause with urban workers:

> Rather than enduringly uniting labor with those farmers who would benefit most from increased domestic consumption and state interventions in agriculture, the New Deal ended up joining together larger, commercially well-established, export-oriented southern cotton producers with better-

[4] Jack L. Walker, Jr., *Mobilizing Interest Groups in America: Patrons, Professions and Social Movements* (Ann Arbor: University of Michigan Press, 1991), 54.

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> off midwestern corn and wheat farmers oriented to domestic as well as international markets. This cross-regional alliance, which took shape from the middle 1930s, was embodied in the American Farm Bureau Federation (AFBF), an organization that became very influential in Congress . . . [and] frequently cooperated with the conservative alliance of southern Democrats and Republicans in Congress to oppose many urban liberal Democratic initiatives.[5]

It is important to stress that new policies do not only provide incentives for supporters. Initiatives may also fuel countermobilizations involving novel forms of political organization. David Vogel's analysis of the response of American business to the regulatory initiatives of the late 1960s and early 1970s provides an excellent example of how policy feedback generated new structures of interest representation:

> Among the most distinctive features of the regulatory statutes enacted during the first half of the 1970s was precisely that they were not directed toward specific industries. Rather, they sought to change the behavior of companies in a wide variety of different industries. This made many business executives much more conscious of their common or class interests, which in turn led to both the formation and revival of political organizations that represented firms in many different industries, such as the Business Roundtable, the United States Chamber of Commerce, and the National Federation of Independent Business.[6]

Policy designs can also create niches for political entrepreneurs, who may take advantage of these incentives to help "latent groups" overcome collective action problems.[7] The history of the now-formidable American Association of Retired People (AARP) illustrates this feedback process. The inadequacy of health care benefits for the elderly provided the AARP

[5] Margaret Weir and Theda Skocpol, "State Structures and the Possibilities for 'Keynesian' Responses to the Great Depression in Sweden, Britain and the United States," in Evans, Reuschemeyer, and Skocpol (fn. 2), 143–44. The Farm Bureau's development has been widely linked to policy feedback, even by scholars not inclined to emphasize the independent role of government activity. In his classic study of interest groups, Mancur Olson argues that "the Farm Bureau was created by the government." Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge: Harvard University Press, 1965), 149. David B. Truman also identified "the aid of federal officials" as important in launching the Farm Bureau. Truman, *The Governmental Process* (New York: Alfred A. Knopf, 1971), 87–93. On policy feedback in agriculture, see also Terry M. Moe, *The Organization of Interests: Incentives and the Internal Dynamics of Political Interest Groups* (Chicago: University of Chicago Press, 1980), 181–91; Richard Valelly, *Radicalism in the States: The Minnesota Farmer-Labor Party and the American Political Economy* (Chicago: University of Chicago Press, 1989); and John Mark Hansen, *Gaining Access: Congress and the Farm Lobby, 1919–1981* (Chicago: University of Chicago Press, 1991), chaps. 2–3.

[6] David Vogel, *Fluctuating Fortunes: The Political Power of Business in America* (New York: Basic Books, 1989), 13–14.

[7] On the importance of political entrepreneurs, see Mancur Olson (fn. 5); Russell Hardin, *Collective Action* (Baltimore: Johns Hopkins University Press, 1982), 35–37; and Moe (fn. 5), 37–39.

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with a niche for activity. The sale of health insurance prior to the enactment of Medicare, and of "Medigap" policies since then, has provided a strong "selective incentive" for individuals to join AARP. These conditions promoted the development of an elderly lobby that is unmatched in other countries.[8]

Not only do public policies create incentives for interest group activities, they may also provide resources that make that activity easier. The political influence of groups varies dramatically; some are central actors in the development of policy, while others are ineffectual, forced to accept gains and losses determined elsewhere. Public policies can clearly "feed back" into politics in this respect, too. Policies can have an effect on the resources of groups and the ability of groups to bring those resources to bear on decision makers.

Sometimes government policies create interest group resources in a straightforward sense, as when legislation provides funding to favored organizations or provides incentives for individuals to join particular groups (e.g., by banning or harassing alternative organizations). In a compelling essay on the development of the Swedish labor movement, Bo Rothstein has demonstrated that policy designs that gave unions authority over unemployment funds provided a crucial impetus to the development of powerful labor confederations.[9] Union administration of these funds gave workers a strong "selective incentive" to become union members. Rothstein's comparative analysis indicates that union density rose rapidly and stabilized at higher levels in countries that adopted this particular design for unemployment insurance.

Policies may also strengthen particular groups by increasing their access to decision makers. The literature on corporatism contains many examples of this kind of process.[10] Governments pursuing a complicated social and economic agenda adopted policies that brought important social actors (usually business associations and labor confederations) directly into the decision-making process. Essentially, these governments tried to increase their effectiveness by trading expanded group access to policymakers for group acquiescence to current initiatives. Many critics of these initiatives argued that this expansion of group access eventually

[8] See, for example, Christine L. Day, *What Older Americans Think: Interest Groups and Aging Policy* (Princeton: Princeton University Press, 1990). Thanks to Kent Weaver for bringing this example to my attention.

[9] Bo Rothstein, "Labor Market Institutions and Working-Class Strength," in Steinmo, Thelen, and Longstreth (fn. 3).

[10] Philippe Schmitter and Gerhard Lehmbruch, eds., *Trends toward Corporatist Intermediation* (Beverly Hills, Calif.: Sage, 1979); Suzanne Berger, ed., *Organizing Interests in Western Europe* (Cambridge: Cambridge University Press, 1981); and John H. Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism* (Oxford: Oxford University Press, 1984).

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undermined the ability of state actors to govern effectively.[11] Students of regulatory "capture" have picked up on a similar phenomenon. Interventionist government policies often have the paradoxical effect of making the success of particular policies dependent upon group-controlled resources (e.g., information, skilled personnel). This dependence in turn enhances the ability of groups to turn their preferences into government policy.[12]

There is, then, significant research suggesting feedback effects on group formation and activity. All of this, however, remains illustrative. How common are these feedback effects? Under what circumstances are they likely to occur? The answer is that we do not know, and cannot know until research is designed specifically to address these questions. Progress can be made from two directions. In many cases, one can start with policies themselves and demonstrate the presence or absence of links to specific group activities. Where policies provide tangible resources (e.g., formalized access, financing), these connections should be easy to trace. At the same time, research can begin with the interest groups themselves and seek to draw linkages back toward policies. It is probably easier, for example, to first identify the selective incentives that groups are using to overcome collective action problems and then work backward to determine if government policies produced those selective incentives.

In addition, two more specific approaches may shed further light on how policy-created resources and incentives affect interest groups. First, policy feedback is likely to be most consequential in issue-areas (or in countries, e.g., those of postcommunist Eastern Europe) where interest group activity is not yet well established. Recent research on "path dependency"—including the work of Douglass North to be discussed below—suggests the importance of focusing on the formative moments for institutions and organizations.[13] Even where the influences of policy on social groups seem relatively modest, small effects at crucial junctures may make a profound difference. Factors that give one set of organizations an initial advantage—even a small one—are likely to become self-

[11] See, for example, Samuel Brittan, *The Role and Limits of Government: Essays in Political Economy* (London: Temple Smith, 1983).

[12] Grant McConnell, *Private Power and American Democracy* (New York: Random House, 1966); George J. Stigler, "The Theory of Economic Regulation," *Bell Journal of Economics and Management Science* 2 (Spring 1971).

[13] For interesting discussions of path dependency, see Stephen Krasner, "Approaches to the State: Alternative Conceptions and Historical Dynamics," *Comparative Politics* 16 (January 1984); and Ruth Berins Collier and David Collier, *Shaping the Political Agenda: Critical Junctures, the Labor Movement, and Regime Dynamics in Latin America* (Princeton: Princeton University Press, 1991), chap. 1.

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reinforcing. Costs of starting up competing organizations are generally high, and as a result the incentives for individuals to invest in "proven" institutions are substantial. High "barriers to entry" mean that established interest organizations will tend to maintain themselves unless their performance is very poor. Recent research on the women's movement in the United States during the early 1960s is suggestive. In a context where interest organizations were largely absent, even the relatively weak policy initiatives of the federal government (such as the establishment of a network of state commissions that subsidized communications within the movement) proved consequential for patterns of interest group development.[14]

Circumstances where governments can use a variety of instruments to achieve the same policy goals provide another good opportunity to study resource/incentive feedback on social groups. For example, farm incomes can be maintained through government purchases of surplus produce, price supports, or transfer payments to farmers. Although each option would provide income for farmers, the different policies might have quite different consequences for interest group development. Comparative analyses that examine the use of different policy instruments to achieve similar goals can determine if the variation in instruments has political consequences. These investigations could clarify how specific characteristics of policies promote particular patterns of interest group formation and activity. Doing so would provide a stronger basis for moving beyond persuasive case studies to some broader propositions about the impact of policy feedback on interest groups.

Policies and the Resources and Incentives for Government Elites

According to Skocpol, the second major type of policy feedback is the transformation of state capacities. "Because of the official efforts made to implement new policies using new or existing administrative arrangements," she writes, "policies transform or expand the capacities of the state. They therefore change the administrative possibilities for official initiatives in the future, and affect later prospects for policy implementation" (p. 58).

It does indeed seem plausible that policy initiatives—which are, after all, the central undertakings of public officials—may provide resources and incentives affecting the capacities of government elites. Yet of all the dimensions of policy influence reviewed in this essay, those linking the resources and incentives generated by existing policies to the actions of

[14] Georgia Duerst-Lahti, "The Government's Role in Building the Women's Movement," *Political Science Quarterly* 104 (Summer 1989).

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government elites seem the least well established. In part, this shortcoming reflects continuing uncertainty about the nature and limits of the political power wielded by government authorities.

Administrative resources are obviously important. The viability of policy initiatives often requires the presence of coherent bureaucratic organizations staffed by well-trained, experienced, and respected officials. A number of analysts have recently stressed the impact of policy feedback on state administrative capacities. For example, Weir and Skocpol's research on government responses to the Great Depression suggests that previous policy choices in Sweden helped to produce the administrative apparatus that allowed state actors to pursue a Keynesian agenda.[15] Unemployment insurance was not well established in Sweden, but public works programs were, and the latter provided a good "bridge" to the development of Keynesian policies. Britain, by contrast, found that its preexisting administrative organizations, derived from the previous development of unemployment insurance policies, were far better suited to an expansion of unemployment benefits than to developing a new system of public works and other job creation efforts.

G. John Ikenberry's analysis of United States energy policy in the 1970s points to a similar dynamic.[16] Previous energy policies had hindered the development of administrative capacities that would have given political elites the knowledge and managerial experience necessary to intervene extensively in energy exploration and development. As Ikenberry concludes, when American policymakers sought responses to the energy crisis of the 1970s, "the institutional legacy of the past weighed heavily on proposals for change. In particular, the scarcity and fragmentation of bureaucratic expertise and operational capacities provided few bases from which to build new government powers and responsibilities."[17]

However, analyses that emphasize feedback effects on the administrative capacities of government actors are sometimes hazy about just what the critical features of these capacities might be. Most studies of the development of generalized bureaucratic competence (i.e., the establishment of a stable, prestigious civil service) have emphasized a range of contributing factors, such as the timing of democratization and the significance of external military pressures.[18] Specific policy initiatives, on the

[15] Weir and Skocpol (fn. 5), 123–25, 129–32.

[16] G. John Ikenberry, *Reasons of State: Oil Politics and the Capacities of American Government* (Ithaca, N. Y.: Cornell University Press, 1988).

[17] Ibid., 44.

[18] Perry Anderson, *Lineages of the Absolutist State* (London: Verso, 1974); Charles Tilly,

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other hand, seem far more likely to have an impact on the development of specialized administrative skills. Thus, the significance of feedback turns on which type of administrative capacity is deemed to be important. Where general bureaucratic capacities are easily transferred from one domain to another, policy feedback is likely to be of little relevance. Future research could usefully concentrate on the circumstances under which policies generate an expansion of relatively specialized but important administrative skills. Such effects are likely to be limited to situations where new government actions require highly intrusive and complex actions for implementation and oversight.

Discussions of policy feedback on governmental elites share a problem common to this whole field of research. Illustrations of particular effects are easy to find and often persuasive, but general propositions about the frequency with which such effects will occur and the circumstances that make them more or less likely are rare. In this particular instance, limitations in our understanding of the position of state actors compound the problem. It has become a commonplace that states vary in their capacities to carry out particular activities.[19] However, our understanding of what the critical features are that make state actors "strong" or "weak" remains relatively limited. In this context, work on this dimension of policy feedback clearly has a long way to go.

Feedback Effects on Mass Publics

Resource/incentive arguments have generally explored the impact of policy feedback on organized interests and government elites. However, public policies also provide resources and create incentives for mass publics. Unless these resources and incentives directly induce political action, they are unlikely to attract the attention of political scientists. Perhaps it is not surprising then that the most detailed examination of how the resources generated by public policies affect mass publics is the recent work of a sociologist, Gøsta Esping-Andersen. In *The Three Worlds of Welfare Capitalism*, Esping-Andersen makes a strong plea for greater attention to policy feedback:

> The present challenge for comparative research is to study welfare states in their role as independent, causal variables. . . . The welfare state is be-

Coercion, Capital and European States, A.D. 990–1992 (Oxford and Cambridge: Blackwells, 1992).

[19] Peter J. Katzenstein, "Conclusion: Domestic Structures and Strategies of Foreign Economic Policy," in Katzenstein, ed., *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States* (Madison: University of Wisconsin Press, 1978); John Zysman, *Governments, Markets and Growth: Financial Systems and the Politics of Industrial Change* (Ithaca, N.Y.: Cornell University Press, 1983).

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> coming deeply embedded in the everyday experience of virtually every citizen. Our personal life is structured by the welfare state, and so is the entire political economy. Given the magnitude and centrality of the welfare state, it is indeed unlikely that we shall understand much of contemporary society unless it becomes part of our models. (p. 141)

Welfare states provide resources and incentives to individuals that profoundly influence crucial life choices: what kind of job to take, when to retire or take time off from the paid labor force, how to organize and divide household tasks such as child rearing. The welfare state, Esping-Andersen argues, "is a midwife of post-industrial employment evolution." His central argument is that "different welfare-state/labor-market interactions produce different post-industrial trajectories" (p. 192).

Esping-Andersen's detailed investigation of social policy and occupational structures in the United States, Sweden, and Germany persuasively links public policy structures to the socioeconomic circumstances of mass publics. Emerging variations in the rate of growth of service industries, the relative weight of social services as opposed to personal services, the skill and occupational composition of the labor force, and the distribution of jobs by gender and racial or ethnic background can all be traced in part to previous policy choices. What *The Three Worlds of Welfare Capitalism* does not do in more than a cursory way is investigate how these shifts in the circumstances of mass publics influence political processes. But the importance of the transformations Esping-Andersen identifies suggests that such an investigation would probably yield rich returns.[20]

The most promising avenue for research is the possibility that policies provide incentives that encourage individuals to act in ways that *lock in a particular path of policy development*. This claim can be derived from the central arguments of Douglass North's *Institutions, Institutional Change and Economic Performance*. North's goal is to explain the failure of economic performance in different countries to converge over time. In a careful but wide-ranging analysis grounded in rational-choice theory, he stresses the ways in which institutional arrangements, once adopted, may lead quite rational actors to behave in ways that are collectively subopti-

[20] For an analysis that suggests how such links might be drawn, see Peter Swenson, "Labor and the Limits of the Welfare State: The Politics of Intraclass Conflict and Cross-Class Alliances in Sweden and West Germany," *Comparative Politics* 23, no. 4 (1991). Esping-Andersen himself did explore the political consequences of policy choices in an earlier work, *Politics against Markets: The Social Democratic Road to Power* (Princeton: Princeton University Press, 1985). This analysis is rather murky on the question of exactly how policy feedback influences political change. In Esping-Andersen's account policies seem to provide some combination of resources, material incentives, and cognitive signals that encourage certain patterns of political behavior.

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mal. In developing his argument, North draws heavily on economic historians' discussions of the development of technology. I will begin by summarizing this research, will review North's application of the analysis to institutions, and then will suggest how it can be extended to the study of policy feedback.[21]

Economic historians using the assumptions of neoclassical economics have recently demonstrated that under certain conditions the development of technology will not proceed toward the most economically efficient alternatives. The "QWERTY" typewriter keyboard is a classic example. Although more efficient alternatives to QWERTY quickly emerged, there were strong pressures to develop an industry standard. In this instance, being relatively well established was more important than being best. Alternative keyboard types could not gain a foothold in the industry, and the QWERTY standard was effectively locked in.[22] Under what conditions are such outcomes likely? Brian Arthur has identified the following factors:

> —*Large set-up or fixed costs*. If initial costs are a high proportion of total expenses, there are likely to be increasing returns to further investment in a given technology, providing individuals with a strong incentive to identify and stick with a single option.
>
> —*Learning effects*. Large learning effects, which may lower product costs or improve their use as prevalence increases, provide an additional source of increasing returns.
>
> —*Coordination effects*. In many cases, the advantages an individual derives from a particular activity depend on the action of others. These effects may encourage coordination with others in adopting a single option.
>
> —*Adaptive expectations*. If it is important for individuals to "pick the right horse"—because options that fail to win broad acceptance will have drawbacks later on—individual expectations about usage patterns may become self-fulfilling.[23]

The existence of lock-in effects in the development of technology is now generally accepted, but one can legitimately ask whether this excursion into economic history has any relevance to the current discussion. North argues persuasively that it does. The factors Arthur identifies as contributing to technological lock-in—increasing returns and high fixed costs, learning effects, coordination effects, and adaptive expectations—

[21] For a more complete summary, see North, 93–95.

[22] Paul David, "Clio and the Economics of QWERTY," *American Economic Review* 75 (May 1985).

[23] W. Brian Arthur, "Self-Reinforcing Mechanisms in Economics," in Philip W. Anderson, Kenneth J. Arrow, and David Pines, eds., *The Economy as an Evolving Complex System* (Reading, Mass.: Addison-Wesley, 1988); W. Brian Arthur, "Competing Technologies, Increasing Returns, and Lock-In by Historical Events," *Economic Journal* 99 (March 1989).

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are often characteristic of institutions. Consequently, one could anticipate the same kinds of historical processes, in which initial choice of institutional design had long-term implications for economic and political performance.

This argument can easily be applied to public policies as well. North defines institutions broadly as "the rules of the game in a society or, more formally, . . . the humanly devised constraints that shape human interaction" (p. 3). This definition would seem to encompass public policies as well as what we conventionally recognize as institutions, since policies clearly do establish rules and create constraints that shape behavior. The specific example North uses to illustrate his argument about path dependence is instructive. The Northwest Ordinance was a quasi-constitutional initiative, outlining the basic rules of the game for "the governance and settlement of the vast area of land in the West and . . . a framework by which the territories would be integrated into the new nation" (p. 97). In this respect, it resembles a formal institution. However, the Northwest Ordinance was also "a specific legislative enactment"—that is, a public policy.

By choosing such a legalistic, foundational initiative that created such straightforward rules of the game, North obscures the broad application of his argument to policy feedback. Policies may create incentives that encourage the emergence of elaborate social and economic networks, greatly increasing the cost of adopting once-possible alternatives and inhibiting exit from a current policy path. Major policy initiatives have major social consequences. Individuals make important commitments in response to certain types of government action. These commitments, in turn, may vastly increase the disruption caused by new policies, effectively "locking in" previous decisions.

Like more formal institutions, public policies operating in a context of complex social interdependence will often generate increasing returns as well as high fixed costs, learning effects, coordination effects, and adaptive expectations. For example, housing and transportation policies in the United States after World War II encouraged massive investments in particular spatial patterns of work, consumption, and residence. Once in place, these patterns sharply constrained the alternatives available to policymakers on issues ranging from energy policy to school desegregation.[24]

Many of the individual commitments that locked in suburbanization

[24] Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of the United States* (Oxford: Oxford University Press, 1985), esp. chap. 11; Michael N. Danielson, *The Politics of Exclusion* (New York: Columbia University Press, 1976).

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were literally cast in concrete, but this need not be the case. Policies may encourage individuals to develop particular skills, make certain kinds of investments, purchase certain kinds of goods, or devote time and money to certain kinds of organizations. All these decisions generate sunk costs. That is to say, they create commitments. In many contexts, policies may push individual behavior onto paths that are hard to reverse.

Research on Reagan and Thatcher's social policies provides a good illustration of the wide scope of these policy feedbacks.[25] Reagan's inability to restructure public pensions can be partly attributed to lock-in processes. Since 1939, Social Security in the United States has operated on a pay-as-you-go basis: current benefits are paid out of current contributions; each working generation pays for the previous generation's retirement. Once such a system matures, it becomes essentially locked-in. Because the currently retired generation has made irreversible commitments based on the existence of a public system of old-age pensions, moving to a private system (which would necessarily be financed by earnings on invested contributions) creates a "double-payment problem"; current workers would have to finance both their parents' retirement and their own. This made any major privatization initiative in the United States unthinkable. By contrast, because of the constant alternation of Conservative and Labour governments during the 1960s and 1970s, Britain failed to develop a mature earnings-related scheme. With the "double-payment" problem far less prominent, the Thatcher government did not face the policy lock-in confronted by Reagan, and was able to engineer a major shift in policy toward private provision of retirement income.

In contrast to the other "feedback" examined here, this discussion of lock-in has generally not drawn on the political science literature concerned with public policy determination. Analysts have been slow to build an examination of lock-in processes into their models of political development.[26] Instead, groundbreaking work has been done by economic historians and students of industrial organization. One reason for this lack of attention is that feedback effects of this kind have a tendency to depoliticize issues. By accelerating the momentum behind one policy path, they render previously viable alternatives implausible. The result

[25] Paul Pierson, " 'Policy Feedbacks' and Political Change: Contrasting Reagan and Thatcher's Pension-Reform Initiatives," *Studies in American Political Development* 6 (Fall 1992).

[26] Interestingly, within political science the idea of "lock-ins" (though focusing on institutions rather than policies) has mainly been utilized in the field of international relations. See for example Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984), 100–106. Keohane draws on Arthur Stinchcombe's analysis of sunk costs. See Stinchcombe, *Constructing Social Theories* (New York: Harcourt, Brace, 1968), 120–25.

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is often not conflict over the foregone alternative (which political scientists would generally be quick to identify), but the absence of conflict. In Bachrach and Baratz's terms, "lock-in" leads to "non-decisions."[27] Another problem is that comparative analysis is probably required to study policy lock-ins. An analyst needs a comparative case where lock-in has not occurred to identify the political effects of policy feedbacks.

Instances of "policy lock-in" are probably widespread. Many public policies create or extend patterns of complex social interdependence in which microeconomic models of isolated, independent individuals smoothly and efficiently adapting to new conditions do not apply.[28] Future research should strive to identify the circumstances under which policy initiatives are likely to produce lock-in, altering the prospects for new initiatives at a later date. The characteristics identified by David, modified to incorporate aspects of social as well as technological complexity, provide an excellent starting point for this research. Lock-in effects are likely to be important when public policies encourage individuals to make significant investments that are not easily reversed, and when actors have strong incentives to coordinate their activities and to adopt prevailing or anticipated standards. Policies that involve high levels of interdependence and where intervention stretches over long periods are particularly likely sites for lock-in effects. Infrastructure policies (communications, transportation, and housing) are good examples, but the pensions case considered above raises the prospect of considerably broader applications.

Policies do create powerful packages of resources and incentives that influence the positions of interest groups, government elites, and individual social actors in politically consequential ways. However, analysts have so far failed to tap the full range of these arguments, and efforts to develop and test clear claims about the generalizability of many of these feedback effects have hardly begun. I now want to suggest that the existence of a range of arguments emphasizing the "interpretive effects of public policies"—the impact of policies on the cognitive processes of social actors—further complicates the task. In some cases, these arguments constitute explanatory alternatives to the arguments already con-

[27] Peter Bachrach and Morton Baratz, "Two Faces of Power," *American Political Science Review* 56 (1962).

[28] For a pathbreaking study of networks of social interdependence, see Thomas C. Schelling, *Micromotives and Macrobehavior* (New York: W. W. Norton, 1978). The contribution of public policies to the development of these social networks is discussed in more detail in Fred Hirsch, *Social Limits to Growth* (Cambridge: Harvard University Press, 1976); and Alfred E. Kahn, "The Tyranny of Small Decisions: Market Failures, Imperfections, and the Limits of Economics," *Kyklos* 19 (1966).

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sidered; in other cases, they offer promising opportunities to supplement or enrich those accounts.

Policies as Sources of Information and Meaning

Interpretive arguments stress that an exclusive focus on material resources and incentives is psychologically anemic.[29] The process through which individuals choose a course of action does not involve a simple calculation of easily discernible costs and benefits. A viable theory of action must take into account the fact that all actors have to cope with overwhelming complexity and uncertainty, and that they use a wide range of cognitive shortcuts in order to make sense of the social world. Furthermore, analysts must recognize that knowledge itself is a critically scarce resource, distributed in a highly unequal fashion. Starting from an emphasis on problems of interpretation leads to quite different questions about the impact of "the rules of the game." How do these rules (in this case, public policies) influence the manner in which social actors make sense of their environment? How do policies influence the distribution of information, and the impact of that distribution on political outcomes?

Public Policies and Learning Effects

To date, applying an interpretive approach to policy feedback has generally meant depicting policy development as a process of political learning. A number of scholars have stressed the importance of "learning effects" in policy-making. Political learning arguments focus on individuals at or near the center of the policy-making process and emphasize problems of bounded rationality and uncertainty. Hugh Heclo summarized this perspective in an early but still influential formulation:

> Politics finds its sources not only in power but also in uncertainty—men collectively wondering what to do. Finding feasible courses of action includes, but is more than, locating which way the vectors of political pressure are pushing. Governments not only "power" (or whatever the verb form of that approach might be); they also puzzle. Policy-making is a form of collective puzzlement on society's behalf; it entails both deciding and knowing.[30]

[29] For an introduction to the ways in which these kinds of arguments are reshaping institutional analysis, see March and Olsen (fn. 2); and Walter W. Powell and Paul J. DiMaggio, eds., *The New Institutionalism in Organizational Analysis* (Chicago: University of Chicago Press, 1991).

[30] Hugh Heclo, *Modern Social Politics in Britain and Sweden* (New Haven: Yale University Press, 1974), 305.

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Implicitly or explicitly, policy learning arguments build on work in decision-making and organizational theory that emphasizes the variety of techniques (e.g., satisficing, incrementalism) used to cope with limited cognitive capacities.[31]

The depiction of political development as a learning process is sometimes presented in sweeping terms. Heclo, for example, talks of "social learning" and "political learning" and identifies a number of sources of such effects. Prominent among them, however, is the impact of previously adopted public policies, and it is these "policy-learning" effects that are relevant here. Important political actors may become aware of problems as a result of their experiences with past initiatives. The setting of a new agenda and the design of alternative responses may build on (perceived) past successes or may reflect lessons learned from past mistakes.

Heclo's study of the Swedish and British welfare states was the first sustained effort to investigate this dimension of policy feedback. Although he acknowledged that there were other important sources of learning, he identified the impact of previous policy as "probably [the] most pervasive manifestation of political learning in the development of social policy."[32] According to Heclo, policymakers have tended to frame new problems in terms that make it possible to draw on already established policy designs:

> Policymakers may not exactly salivate at the sound of the usual bell, but there is something of a conditioned reflex in a great deal of their behavior. Once implemented, a technique such as social insurance has tended to be readopted, to be considered the "natural" policy response for other types of income risk. . . . The incrementalism pervasive in policy making is one manifestation of the more general tendency to respond by analogizing. Typically, steps taken with regard to a new situation are small (compared to the almost infinite variety of possible responses) because the new situation is responded to like something already known, or some element of it. It is this facet of learning that more than anything lies at the heart of the essentially liberal continuity evident in social policy since the first insurance efforts to deal with the cumulative insecurity of industrial society. The inheritance of income maintenance policies has served as a path through the immense complexity facing social policy makers and has facilitated the creation of subsequent responses.[33]

In this passage, the link to the work of Simon, Lindblom, and others on incrementalism is particularly clear. Overwhelmed by the complexity of

[31] See, for example, Herbert A. Simon, *Models of Man* (New York: Wiley, 1957); Charles E. Lindblom, "The 'Science' of Muddling Through," *Public Administration Review* 19 (Spring 1959); and James G. March, "Bounded Rationality, Ambiguity, and the Engineering of Choice," *Bell Journal of Economics* 9 (Autumn 1978).

[32] Heclo (fn. 30), 315.

[33] Ibid., 315–16.

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the problems they confront, decision makers lean heavily on preexisting policy frameworks, adjusting only at the margins to accommodate distinctive features of new situations.

These learning processes emerge as a significant theme in *The Political Power of Economic Ideas*, edited by Peter Hall. Noting that, despite perceptions of a sweeping "Keynesian revolution," the reception of Keynes' ideas was highly uneven across nations, Hall and his collaborators seek to uncover the reasons for this variation. Among the factors considered in this rich volume is the impact of "prior experience with related policies . . ."—the hypothesis that "states will be predisposed towards policies with which they already have some favorable experience, and even the demands of political parties and interest groups may be based on their conceptions of . . . existing policy legacies" (p. 11). Bradford Lee, for example, argues that the resistance of French, British, and American policymakers to proto-Keynesian ideas in the early 1930s was rooted in "lessons" learned from previous experiences, such as the inflationary policies followed after World War I and the escalating demands for redistribution that many political actors linked to the growth of the modern state.[34]

Lee's argument suggests that an incremental, cumulative process is not the only possible form of policy learning. Policymakers may also react negatively to previous policies, fashioning new initiatives to address perceived failures. Heclo makes room in his account for negative learning, noting that "probably the single most important force molding the policies discussed in this volume was the reaction against the poor law. Without exception, the point of departure for reformers of all parties in both Britain and Sweden was the desire to find something better than the opprobrious poor law for the deserving poor."[35]

Although she does not employ the language of policy learning, this is in essence the process described in Skocpol's analysis of Civil War pensions in the United States (pp. 155–58, 531–33).[36] Perceived by key middle-class reformers as a scandalous example of patronage politics, Civil War pensions were not used as a blueprint for new, incremental extensions of government activity. On the contrary, important political actors drew negative conclusions, which served as a check on the emer-

[34] Bradford A. Lee, "The Miscarriage of Necessity and Invention: Proto-Keynesianism and Democratic States in the 1930s," in Hall, 129–70.

[35] Heclo (fn. 30), 317.

[36] See also Ann Shola Orloff and Theda Skocpol, " 'Why Not Equal Protection?': Explaining the Politics of Public Social Spending in Britain, 1900–1911, and the United States, 1880s–1920," *American Sociological Review* 49 (December 1984); and Ann Shola Orloff, "The Political Origins of America's Belated Welfare State," in Margaret Weir, Ann Shola Orloff, and Theda Skocpol, eds, *The Politics of Social Policy in the United States* (Princeton: Princeton University Press, 1988).

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gence of significant federal social expenditure programs in the pre-New Deal era. Negative learning had a major impact on the policy agendas and political strategies of middle-class reform groups.

Despite the appeal of this line of argument, there are several difficulties in the work on policy learning. First, there are uncertainties about who is doing the learning. Heclo's account stresses the role of civil servants: "Forced to choose one group among all the separate political factors as most consistently important . . . the bureaucracies of Britain and Sweden loom predominant in the policies studied." Most influential, he adds, are "middlemen at the interfaces of various groups. These have been men with transcendable group commitments, in but not always of their host body."[37] The process Heclo describes is one populated by experts working in small groups to develop new policy blueprints. However, social groups, like bureaucrats and politicians, may derive lessons from previous initiatives. It is the former who are judged to be of particular importance in Skocpol's account.

There are questions, then, about the circumstances under which "learning effects" on state actors or social groups will be most important. Hall makes progress on this issue in a recent essay, distinguishing three levels of policy change, and arguing that the learning process will not be identical in the three cases.[38] First-order change alters the settings of policy instruments while the instruments used and the goals of policy remain constant. Second-order change modifies instruments as well as settings; while third-order change, which marks a clear break with past practice, involves simultaneous shifts in settings, instruments, and goals. Hall argues that in the relatively incremental processes of first- and second-order change, the learning process is likely to be highly technical and relatively insulated, with bureaucrats playing a central role. Third-order change, by contrast, involves a wider range of actors and is more "sociological" and "political" in character.

Hall's effort to disaggregate broad concepts like policy learning and develop more specific propositions about when a particular feedback will operate is precisely what is needed to push the discussion forward. Although one would need to look beyond Hall's single case of macroeconomic policymaking for further support, this claim that major departures from past policies are likely to involve a broader range of political actors and increased contestation seems plausible. But Hall's account

[37] Heclo (fn. 30), 301, 308.

[38] Peter A. Hall, "Policy Paradigms, Social Learning and the State: The Case of Economic Policy-Making in Britain," *Comparative Politics* (forthcoming). See also idem, "Conclusion: The Politics of Keynesian Ideas," in Hall, 361–91.

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does raise the serious question of whether the most interesting process (third-order change), which involves the mobilization of substantial political resources in favor of a new policy agenda, can best be described as a process of learning.

A second difficult issue for policy-learning arguments regards the dynamics of the learning process. Why does "learning" sometimes produce positive conclusions and incremental policy change and at other times generate negative conclusions and reactive policy shifts? As Hall acknowledges, "It is all very well to say that policy makers are influenced by the lessons drawn from past policy experiences, but the lessons that history provides us with are always ambiguous" (p. 362). Although hindsight may lead one to say "success" encourages repetition, defining success and failure is necessarily a sociological and political process. Two prominent examples from recent American history illustrate the problem. The key policy decisions of the Johnson administration—the pursuit of a war in Vietnam and the pursuit of a "War on Poverty" at home—have been widely held to contain "lessons" of relevance to future policy. However, the nature of the appropriate lessons is unclear and bitterly contested.[39]

Hall's account does offer some suggestions about when policies are likely to be perceived as failures. Drawing on Kuhn's concept of scientific paradigms, he argues that learning connected to third-order change (paradigm shifts, or what I have here termed negative learning) is likely "to involve the appearance of anomalies, . . . developments that are not fully comprehensible, even as puzzles, within the terms of the [existing] paradigm." But it remains unclear whether this provides a clear guide, except perhaps *ex post*, to the circumstances when policies will be regarded as failures. The complexity and multiplicity of policy interventions, combined with the uncertainty of the links between interventions and outcomes, will generally leave considerable room for dispute.[40]

The fact that policy "success" is often contested suggests a substantial indeterminacy to the learning process. Perhaps the best way to describe the impact of public policies is to say that they provide part of what Ann Swidler has called a "tool kit" of symbols and arguments that actors use

[39] On Vietnam, see David Fromkin and James Chace, "What *Are* the Lessons of Vietnam?" *Foreign Affairs* 63 (Spring 1985). On the War on Poverty, consider the contrasting lessons drawn in Charles Murray, *Losing Ground: American Social Policy, 1950–1980* (New York: Basic Books, 1984); and John E. Schwartz, *America's Hidden Success: A Reassessment of Public Policy from Kennedy to Reagan*, rev. ed. (New York: W. W. Norton, 1987). I am grateful to Peter Hall for suggesting these examples to me.

[40] Henry J. Aaron, *Politics and the Professors: The Great Society in Perspective* (Washington, D.C.: Brookings Institution, 1978).

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in their efforts to assemble meaningful interpretations of the world around them.[41] Robert Jervis has stressed that because individuals seek to maintain cognitive consistency, they are strongly inclined "to fit incoming information into pre-existing beliefs and to perceive what they expect to be there," to "ignore information that does not fit," or to "twist it so that it confirms" beliefs already held.[42] Swidler's and Jervis's arguments suggest that proponents of policy-learning arguments face a daunting task. Past policies do help frame discussions of new initiatives, but not in any straightforward fashion. To be convincing, policy learning arguments must offer clearer propositions about the conditions that lead particular actors to view previous initiatives in positive or negative terms. Further, they need to show that the policies have some significant *independent* impact on actors' political behavior, rather than simply contributing to actors' accounts of their actions.

Finally, there is a pressing need to establish the range of circumstances under which policy-learning arguments are likely to be persuasive. If governments both "power" and "puzzle," when should we expect to see one process or the other predominate? In this respect, policy-learning arguments have also suffered from an emphasis on *illustrating* processes rather than establishing the frequency of those processes. Because arguments about policy learning have been developed largely through single case studies (or, for Heclo, a multicase study in which learning was claimed to be central in each instance), the question of this phenomenon's scope has hardly been asked, much less answered. Yet surely this is a critical concern.

Amenta et al.'s study of the early development of unemployment insurance in individual states in the United States is a promising first attempt to confront this problem.[43] By adopting a multicase study design, involving five relatively developed states, the authors were able to assess the usefulness of policy-learning arguments for explaining the timing and design of state initiatives. Wisconsin's early adoption of unemployment insurance is plausibly attributed, in part, to the prior development there of an extensive policy network with experience in the promotion of such policies. At the same time, Amenta et al.'s analysis suggests that a full explanation of policy outcomes must move beyond policy-learning

[41] Ann Swidler, "Culture in Action: Symbols and Strategies," *American Sociological Review* 51 (April 1986).

[42] Robert Jervis, *Perception and Misperception in International Politics* (Princeton: Princeton University Press, 1976), 143.

[43] Edwin Amenta, Elisabeth S. Clemens, Jefren Olsen, Sunita Parikh, and Theda Skocpol, "The Political Origins of Unemployment Insurance in Five American States," *Studies in American Political Development* 2 (1987).

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arguments to examine prospects for successful coalition formation. Support among experts for unemployment insurance was of limited use in the absence of strong backing within state legislatures.

The Hall volume represents a second effort to place policy-learning arguments in a broad comparative framework, since it investigates the dissemination of Keynesian ideas in a number of countries. On my reading, the results are disappointing for those who would stress this dimension of policy feedback. Of the empirical essays, only Lee's puts heavy emphasis on policymakers' experience with prior policies, and his efforts to link specific policies with later political processes are sketchy at best. In Hall's concluding essay, which advances a complex explanation for the reception of Keynesian ideas, policy-learning arguments recede into the background. Hall lists "collective associations with similar policies" as one of several factors affecting the political viability of Keynesian proposals, but his account places more weight on party structures, the interests of potential coalition partners, and the reputations of Keynesianism's exponents. Further, he stresses that political viability is only one part of a complete explanation: Keynesian proposals needed to pass tests of economic and administrative viability as well. In contrast to Hall's single-case study of British policy-making, this cross-national investigation suggests a limited role for policy-learning effects.

While making some progress on the question of how learning effects may interact with other variables, even these multicase studies could make limited progress on the scope question because they looked at only one type of policy. Determining when learning effects are likely to be prominent will require carefully designed research projects comparing different types of policies and different policy-making environments. While a detailed examination of such a research agenda is not possible here, a few plausible and illustrative hypotheses can be suggested.

First, the degree of *insulation of decision makers* is likely to be important. Learning processes are more likely to be prominent when a small number of actors are involved.[44] Widening the scope of conflict increases the chances for disagreement and hence the decisiveness of political resources.[45] Analysts need to think about the characteristics of policies that are conducive to relatively insulated policy-making.

[44] This perhaps explains why students of foreign policy–making, which often features decision making by small groups or even single individuals, have had a particular interest in learning processes. See the literature reviewed in Yuen Foong Khong, *Analogies at War: Korea, Munich, Dien Bien Phu, and the Vietnam Decisions of 1965* (Princeton: Princeton University Press, 1992), chap. 1. Khong's work offers an ambitious and thoughtful attempt to address many of the objections to learning arguments.

[45] On the importance of the scope of conflict, see E. E. Schattschneider, *The Semisovereign People* (New York: Holt, Reinhart, and Winston, 1960).

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A second factor of significance may be *policy complexity*. The greater the technical proficiency required to understand an issue and possible policy responses, the greater the likelihood that learning effects stemming from social investigation and analysis will be prominent. As I will discuss in more detail below, some government activities involve rather direct connections between policy and outcomes (e.g., the relationship between the legality of abortion and the options available to pregnant women; the relationship between pension benefits and the financial status of the elderly), while in other cases the causal chains are more complex and uncertain (e.g., the relationship between educational policy and economic competitiveness). Where policies are not complex, "puzzling" is likely to give way to "powering." An argument about the role of policy learning may be far more persuasive in accounting for changes in educational policy than it will be in explaining policy covering abortion.

Finally, it is very likely that policy learning plays a different role at different *stages of the policy-making process*. Learning effects will be most apparent in the specification of alternatives, since this is when detailed knowledge is most crucial.[46] The heavy weight Heclo gives to learning effects and bureaucratic influence stems partly from his desire to account for the identification and development of specific policy alternatives rather than more general policy orientations.[47] Agenda-setting and the final choice of policies are likely to be the result of other kinds of influences. If so, this suggests an important limit to the scope of policy-learning arguments.

The work of Hall, Amenta, and their colleagues indicates a growing interest in fleshing out the insights of a policy-learning approach; but they only begin the process of producing answers to the questions of when, where and how policy-learning effects might be important. To determine the scope of learning arguments, scholars need to disaggregate policy-making along two dimensions. Disaggregating policy-making *temporally* (along the standard lines of agenda setting, alternative specification, policy choice, and implementation) will permit an evaluation of policy learning's role at different stages of the political process. The design of alternatives is clearly important, but to date we know little about the role of policy learning beyond that realm. To what extent are learning effects important in explaining the agendas, or final policy choices, made by governments? Disaggregating *across policies* will also contribute

[46] Kingdon makes this point in his careful study of the policy-making process. John Kingdon, *Agendas, Alternatives, and Public Policies* (Boston: Little, Brown, 1984).

[47] See Heclo's discussion of party and interest group influence (fn. 30), 293–301.

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to an understanding of the true scope of learning arguments. Past investigations have often examined areas of very complex policy-making where expertise is at a premium (Hall's work on macroeconomic policy being a good example). To what extent, if any, can learning arguments be applied to policy areas where expertise may play a less important role (e.g., abortion, immigration, industrial relations)? Should efforts to address these questions be pursued, it is far from clear how powerful policy learning arguments will turn out to be. To date, what we have are plausible accounts of isolated cases.

Policies as Sources of Information for Mass Publics

Given the serious problems with policy-learning arguments, it may be that interpretive accounts, like investigations of resource/incentive feedback, could benefit from a shift in focus towards mass publics rather than policymakers. Policy-learning arguments concentrate on those with a continuing active role in policy-making: high-level bureaucrats and politicians, policy experts, and the leaders of interest groups. But interpretive arguments may help to account for the behavior of a broader set of actors, who are also engaged in efforts to understand the social world and the consequences of their own actions. For the electorate, policies may produce cues that help them develop political identities, goals, and strategies. While policy-learning arguments see policies as the source of models or analogies for policymakers, what is likely to be important for mass publics is the informational content of policies. As James Kuklinski has recently written, "The idea of information has overtaken political scientists."[48] Political actions must be based on understanding, but our understandings are necessarily constrained by the sheer complexity of the social world and our own limitations of time and cognitive capacity. Yet if there is a growing recognition that knowledge is a scarce and critical political commodity, the integration of this insight into understandings of politics remains more an aspiration than an accomplishment. Nonetheless, the role of public policies in the production and dissemination of information recently has received increased attention.

The specific design of programs may heighten the visibility of some social and political connections while obscuring others. In a context of great social complexity, policies may generate "focusing events" or cues that help social actors to interpret the world around them.[49] Policy-induced cues may influence an individual's awareness of government

[48] James H. Kuklinski, "Information and the Study of Politics," in John Ferejohn and James H. Kuklinski, *Information and Democratic Processes*, 391.

[49] On focusing events, see Kingdon (fn. 46), 99–105.

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activity. For example, when the National Aeronautics and Space Administration chose to pursue a manned space shuttle program rather than unmanned alternatives, one important consequence was to greatly increase the attention paid to individual flights. NASA supporters hoped that the heightened visibility would strengthen political support for the space program. The creation of "focusing events" backfired with the *Challenger* disaster, which gravely damaged NASA's reputation. The opposite process can operate as well. Some programs are "quiet"—they do not produce events that generate attention. For instance, many countries provide massive subsidies for various private activities through their tax codes. Unlike on-budget outlays, "tax expenditures" are not subjected to annual legislative scrutiny. Despite their importance, policies designed this way do not produce the focusing events that might place their reform on the political agenda.[50] It is probably no accident that the benefits of such programs tend to be far more heavily concentrated on small groups of wealthy individuals than are on-budget expenditures.

Harold Wilensky has extended this argument about tax visibility to the whole range of a nation's tax policies. He suggests that whether these policies serve to heighten or obscure tax burdens may be more important politically than the actual level of taxation.[51] Prospects for the development of "tax backlash" movements depend on public perceptions of burdensome taxation. Because indirect taxes are less visible to voters, governments relying on them can maintain higher tax levels than countries that depend more heavily on highly visible taxes such as the income tax.

This argument may be widely applicable. In *The Rise and Fall of the Great Powers*, Paul Kennedy devotes a chapter to the European conflicts from 1660 to 1815, with particular attention to the struggles between Britain and France. Kennedy's explanation for Britain's ultimate triumph in the lengthy and costly competition places significant weight on Britain's superior financial position. That superiority, in turn, is attributed in large part to the difference in visibility between the tax systems of the two rivals, which allowed a less populous Britain to produce more revenue with less public discontent.

> While it is true that its general taxation system was more regressive than that of France—that is, it relied far more upon indirect than direct taxes—particular features seem to have made it much less resented by the public.

[50] See, for example, Herman B. Leonard, *Checks Unbalanced: The Quiet Side of Public Spending* (New York: Basic Books, 1986), chap. 4.

[51] Harold Wilensky, *The New Corporatism, Centralization, and the Welfare State* (Beverly Hills, Calif.: Sage, 1976). See also Douglas A. Hibbs, Jr., and Henrik Jess Madsen, "Public Reactions to the Growth of Taxation and Government Expenditure," *World Politics* 33 (April 1981).

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> For example, there was in Britain nothing like the vast array of French tax farmers, collectors, and other middlemen; many of the British duties were "invisible" (the excise duty on a few basic products), or appeared to hurt the foreigner (customs); there were no *internal* tolls, which so irritated French merchants . . . the British land tax—the chief direct tax for so much of the eighteenth century—allowed for no privileged exceptions and was also "invisible" to the greater part of society.[52]

In common with policy-learning arguments, these analyses focus on the signals that policies send to political actors. These signals may influence individuals' perceptions about what their interests are, whether their representatives are protecting those interests, who their allies might be, and what political strategies are promising. Besides broadening the range of actors considered, this approach has a significant additional advantage over a focus on policy learning. Not only does it acknowledge that all policy-making takes place in a context of information constraints, but it recognizes that the distribution of this information is often highly unequal. The emphasis of these arguments is on how *information asymmetries* create space for the strategic manipulation of policy design. Knowledge is indeed power, and the fact that policy structures can influence the role and availability of information makes this an important and contested aspect of policy development. To rephrase Heclo, "powering" and "puzzling" are often part of the same process; power can be utilized to facilitate or impede actors' efforts to understand the consequences of public policies.

Yet beyond rather vague formulations, such as the suggestions that some policies are "visible" and others are not or that some policies generate "focusing events" and others do not, there was until recently little systematic discussion of the characteristics of initiatives that produce particular "cues" for social actors. However, political scientists are now making significant progress on several fronts. R. Kent Weaver's work on blame avoidance indicated that policymakers will take steps, including the redesign of policies, to modify public awareness of their actions, depending on whether or not they expect those actions to be popular.[53] Douglas Arnold has stressed the importance of the electorate's capacity to link particular effects, whether positive or negative, with the actions of individual politicians.[54]

[52] Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Random House, 1987), 80–81.

[53] R. Kent Weaver, "The Politics of Blame Avoidance," *Journal of Public Policy* 6 (October–December 1986).

[54] Douglas Arnold, *The Logic of Congressional Action* (New Haven: Yale University Press, 1990).

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According to Arnold, two conditions must hold for public policies to generate a response from mass publics. The first condition is *visibility*: voters must experience some discernible outcome that leads them to inquire about the cause of this outcome. The second condition is *traceability*: to respond by rewarding or punishing politicians, the electorate must be able to link that outcome to some governmental action. The critical point is that both visibility and traceability can vary independently of a policy's actual impact and that this variation may be a product of policy design. Specific features determine a policy's *informational content*, influencing both these determinants of the electorate's reaction. Policies that distribute benefits widely and intermittently are less likely to be visible than policies that distribute benefits to a concentrated group and in a single package. Whether those affected are part of a network (e.g., geographical or occupational) allowing communication with others affected (what Arnold has called *proximity*) is another important factor. Homeowners living near a toxic dump and dairy farmers sharing a common profession are each likely to be part of networks that facilitate communication and therefore improve the chances that they will become aware of outcomes that affect them; recipients of disability payments who have their benefits cut are not.

The traceability of policies varies as well. Traceability really involves two distinct tests: can visible outcomes be linked to government policy and can those policies be linked to someone who can be given credit or blame? A crucial factor in linking outcomes to policy, as Arnold notes, is the "length of the causal chain." The more stages and uncertainties that lie between a policy's enactment and a perceived outcome, the less likely it is that those affected will respond politically. Producers, who see a direct link between tariff levels and their own profitability, are much more likely to be activated than consumers, for whom the causal chain is longer. Consumers may not like the prices they pay for goods, but they are unlikely to attribute those prices to government trade policies. In general, the more difficult it is to sort out causal arguments—the more complex the policy—the less likely it is that voters will trace even major problems to specific government decisions.

Policymakers have a significant degree of control over this aspect of traceability. They may choose interventions that create causal chains of varying lengths. Ideally, they would like to design programs for which the benefits involve short causal chains and the costs involve long ones. Time lags, for example, add greatly to the length and complexity of causal chains, so policymakers favor policy designs that front-load benefits and back-load costs.

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The second aspect of traceability, linking government action to specific decision makers, may also depend on policy design.[55] Policies can either illuminate or obscure the role of decision makers. As Weaver has argued, indexation mechanisms, which put particular policies on "automatic," have proven attractive precisely because they reduce the traceability of outcomes to particular decision makers.[56] To take another recent example, the intricate legislative history surrounding the evolution of U.S. policy regulating savings and loan institutions made it practically impossible for even the most incensed taxpayer to know which politicians to hold accountable for the massive costs imposed on the Treasury.

There is significant evidence that the information content of policies is important for mass publics and that these feedback effects deserve careful attention. Certainly the ability to raise or lower the profile of their actions for different constituencies would seem to give politicians an important political resource. Unfortunately, the methodological problems associated with this kind of analysis are substantial. It is often difficult enough to measure the most concrete consequences of policies, let alone things as intangible as traceability and visibility. While Arnold's concept of "causal chains" offers a promising beginning, he acknowledges that the efforts of actors to create these chains are a "subjective process" likely to be highly complex and culturally contingent.[57] However, one could certainly begin, as scholars have with tax policy, with some fairly simple measures of visible and traceable policy designs and could seek to identify the political consequences of each.

The potential payoff seems well worth the effort. Recall the discussion of resource/incentive feedback on government elites, where I argued that it has been very difficult to establish strong claims about the impact of policy feedback. By contrast, the arguments of Wilensky and others about tax visibility, if correct, would significantly contribute to our understanding of the fiscal resources of states, which Skocpol has claimed tells us "more than could any other single factor about [the state's] existing (and immediately potential) capacities to create or strengthen state

[55] This is much more likely to be true in an institutional setting like that of the United States, where the location of accountability is often uncertain. See Paul Pierson and R. Kent Weaver, "Political Institutions and Loss Imposition: Pensions Policy in Britain, Canada and the United States," in R. Kent Weaver and Burt Rockman, eds., *Do Institutions Matter? Government Capabilities in the U.S. and Abroad* (Washington, D.C.: Brookings Institution, 1993).

[56] R. Kent Weaver, *Automatic Government: The Politics of Indexation* (Washington, D.C.: Brookings Institution, 1988).

[57] Arnold (fn. 54), 48n. For an interesting effort to explore this issue, see Deborah Stone, "Causal Stories and the Formation of Policy Agendas," *Political Science Quarterly* 104 (Summer 1989).

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organizations, to employ personnel, to coopt political support, to subsidize economic enterprises, and to fund social programs."[58]

That potential underscores the basic point of this discussion of interpretive arguments about policy feedback. Policies indeed allocate large quantities of resources and create powerful incentives, but some of their most important effects may be cognitive. The massive scope of public policies assures that they play a significant role in our efforts to understand and act in an enormously complex political world.

An Agenda for Research on Policy Feedback

The scholarship reviewed in this essay shares a common feature: the claim that policies themselves must be seen as politically consequential structures. The rise of active government leaves little room for doubt about this general proposition. Nonetheless, the fact that policy feedback arguments are now widely applied in divergent national contexts and across a variety of issue-areas drives home the growing importance of this concept to the study of comparative politics.[59] To take only a few of the examples discussed in this essay, policy feedback arguments have been used to help account for Britain's triumph over France in the eighteenth century, the development of Sweden's powerful labor movement, and the failure of New Deal reformers to cement a farmer/worker alliance. In a wide range of circumstances and in numerous ways, policies restructure politics.

This lengthy discussion also reveals the diversity of arguments that lies behind a general claim. Based on the preceding discussion, Figure 1 offers a summary of the dimensions of policy feedback. The summary utilizes a distinction between two main feedback *mechanisms* (resource/incentive effects and interpretive effects) and among three *sets of actors* affected by these mechanisms (government elites, social groups, and mass publics). The framework suggests six separate pathways of influence

[58] Theda Skocpol, "Bringing the State Back In: Strategies and Analysis in Current Research," in Evans, Reuschemeyer, and Skocpol (fn. 5), 17.

[59] For those uninterested in the roots of current politics, policy feedback arguments may nonetheless be useful. The fact that such political consequences of policy design are likely to be discernible to policymakers raises an additional issue that deserves attention: the extent to which decision makers self-consciously design policies to produce particular feedback effects. Especially as government activity becomes widespread, politicians are likely to become aware that policy choices have political consequences. This suggests that feedback effects should not only be incorporated into political analysis because previous policies influence current politics. Current political struggles may well reflect concern over the *future* political consequences of contemporary policy choices. Cognizance of the possible range of such consequences may give analysts important insights into the strategic choices facing contemporary political actors.

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running from policies to politics, although several pathways (e.g., the impact of resource/incentive mechanisms on social groups) may involve multiple sources of influence.

This framework indicates where scholars might expect to find significant causal connections between public policies and political developments. It is not, however, an effort to follow the well-known attempts of analysts like Lowi and Wilson to develop an extremely parsimonious theory linking specific policy "types" to particular political outcomes.[60] The current discussion suggests two reasons why such efforts are unlikely to provide a sound basis for theory building. First, as Figure 1 indicates, individual policies may have a number of politically relevant characteristics, and these characteristics may have a multiplicity of consequences. Second, as a number of studies discussed in this essay suggest, policy feedback rarely operates in isolation from features of the broader political environment (e.g., institutional structures, the dynamics of party systems).[61] The impact of policies is likely to occur in interaction with other variables. For both these reasons, it seems doubtful that we can expect to develop sweeping theories that link a few policy "types" to clearly defined political outcomes. Instead, a more promising strategy is to develop middle-range theories that acknowledge both the complexity of feedback and its context-specific qualities.

This discussion carries some specific implications for research agendas. A greater recognition of the wide scope of possible feedback—and, in particular, of how policy feedback affects mass publics—can strengthen work on the political consequences of public policies. Too often, analysts interested in feedback effects have looked at only one or two possible pathways of influence. Although many of the processes sketched out here will not be important in particular cases, each should be explored. Attention to the impact of policies on individual actors outside the circuit of bureaucrats, politicians, and interest groups is especially urgent. Policies have a major influence on mass publics, generating

[60] Theodore J. Lowi, "American Business, Public Policy, Case Studies, and Political Theory," *World Politics* 16 (July 1964); idem, "Four Systems of Policy, Politics, and Choice," *Public Administration Review* 32 (July–August 1972); James Q. Wilson, *Political Organizations* (New York: Basic Books, 1973), 330–37; and idem, *American Government*, 4th ed. (Lexington, Mass.: D.C. Heath, 1989), 422–47, 590–604.

[61] It is probably no coincidence that the two significant efforts to develop "policies produce politics" typologies have been developed in American politics rather than comparative politics, which allows Lowi and Wilson at least to attempt to "hold constant" elements of the broader political environment. Instructively, Elizabeth Sanders's study of natural gas regulation argues that Lowi's typology starts to break down when one studies the dynamics of policy struggles over time. "Regulatory" policy seems to produce different politics in different historical contexts. Sanders, *The Regulation of Natural Gas: Policy and Politics 1938–1978* (Philadelphia: Temple University Press, 1981).

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Type of Mechanism	Actors Affected by Feedback Mechanism: government elites	interest groups	mass publics
resource and incentive effects	administrative capacities	"spoils" organizing niches financing access	"lock-in" effects
interpretive effects	policy learning	policy learning visibility/ traceability	visibility/ traceability

FIGURE 1
THE DIMENSIONS OF POLICY FEEDBACK

patterns of behavior (lock-in effects) and interpretive efforts (attempts to identify policy effects and trace those effects to government decisions) that have significant political repercussions.

The informational content of public policies deserves particular attention. Increasingly, political scientists have recognized that the staggering complexities of modern life make information a critical factor in politics. There has been growing attention to the ways in which institutional structures facilitate or impede information flows and to the role of politicians, parties, and interest groups as transmitters of information to various actors.[62] Yet we still know relatively little about the contribution of policies themselves to such processes. Because both the visibility and traceability of policies can vary so widely, the informational content of policies is likely to have significant effects on the mobilizing potential of political actors.

Analysts need not give up a concern with the material resources and incentives created by public policies. Indeed, arguments about informational feedback pose far less of a challenge to standard political science frameworks than do arguments that focus on policy learning.[63] The lat-

[62] Ferejohn and Kuklinski (fn. 48); Keith Krehbiel, *Information and Legislative Organization* (Ann Arbor: University of Michigan Press, 1991); Mathew M. McCubbins and Terry Sullivan, eds., *Congress: Structure and Policy* (Cambridge: Cambridge University Press, 1987).
[63] For a summary of that challenge, see March and Olsen (fn. 2), chap. 1.

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ter require a significant reevaluation of the psychological foundations of individual choice, leading to a thicket of intriguing but perhaps intractable questions. By contrast, the former approach calls only for the incorporation of information into the universe of relevant political resources.

It is no accident that both the arguments I have advanced about policy feedback on mass publics (the production of lock-in effects and the provision of information) draw heavily on work in rational-choice theory. While historical institutionalists have studied state structures and social groups, the use of microeconomic theory leads naturally to a focus on *individual* behavior. Economists have developed powerful models for exploring how different institutional frameworks and resource distributions influence both individual choices and the ways in which individual choices lead to particular aggregate outcomes. Wedded to historical institutionalist arguments about the prominence of public policies and the importance of tracing historical processes, these insights from rational-choice theory offer promising openings for the study of policy feedback on mass publics.

Finally, the diversity of the arguments identified here and the uncertainty regarding the scope of many of them also suggests the need for a more fundamental reexamination of research agendas. While the utility of policy feedback arguments seems clear, there are a great many unanswered questions about the circumstances under which preexisting policies are likely to influence political processes, and about the particular types of influence that are most important. Resolving these issues will require a reformulation of questions. Rather than asking "Do policies produce politics?" we need to ask more precise questions about how policies matter and under what conditions. Getting at the answers will often require careful attention to research design.

This conclusion highlights both the merits and limitations of recent work in historical institutionalism. By now, the merits should be clear. The emergence of arguments about policy feedback has stemmed largely from research that takes structural constraints imposed by government seriously, that utilizes detailed case studies, and that emphasizes that history matters—that political processes should be analyzed over time. As Skocpol puts it:

> Too often social scientists . . . forget that policies, once enacted, restructure subsequent political processes. Analysts typically look only for synchronic determinants of policies—for example, in current social interests or in existing political alliances. In addition, however, we must examine patterns unfolding over time. . . . We must make social policies the starting points as well as the end points of analysis. (p. 58)

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Because historical institutional analysis encourages intensive scrutiny of specific historical paths, it has been ideally suited to identify the existence of policy feedback mechanisms. The same approach, however, has had greater difficulty in moving to the next phase: establishing the scope of particular mechanisms, and the specific characteristics of policies and the broader context that are likely to make particular mechanisms relevant.

Much can probably be done within a historical institutionalist framework to cope with these problems. More specific questions need to be asked and hypotheses need to be carefully stated. Insights from rational choice theory need to be incorporated. But it is difficult to see how many of these more specific questions can be answered through the use of single-case studies. Investigating many of the most pressing questions may require a reorientation toward the investigation of large samples that would allow the application of statistical techniques.

Political scientists study what they do because they believe that politics matters—that government decisions have major social consequences. It is surely ironic that among the least understood of these consequences are the feedback effects on political life. Much like the formal institutions that have recently received extensive scholarly attention, major policies frame the choices of political actors both by creating resources and incentives and by influencing the efforts of individuals to interpret the social world. Incorporating this insight more systematically into research will greatly enrich our understanding of politics.

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EXPLAINING THE DYNAMICS OF THE SOUTHEAST ASIAN POLITICAL ECONOMY

State, Society, and the Search for Economic Growth

By GARY HAWES and HONG LIU

Alasdair Bowie. *Crossing the Industrial Divide: State, Society, and the Politics of Economic Transformation in Malaysia*. New York: Columbia University Press, 1991, 222 pp.

Richard Doner. *Driving a Bargain: Automobile Industrialization and Japanese Firms in Southeast Asia*. Berkeley: University of California Press, 1991, 371 pp.

Kevin Hewison. *Bankers and Bureaucrats: Capital and the Role of the State in Thailand*. New Haven: Yale University Southeast Asia Studies, Monograph Series, no. 34, 1989, 320 pp.

Jomo Kwame Sundaram. *A Question of Class: Capital, the State, and Uneven Development in Malaysia*. New York: Monthly Review Press, 1988, 360 pp.

Anek Laothamatas. *Business Associations and the New Political Economy of Thailand: From Bureaucratic Polity to Liberal Corporatism*. Boulder, Colo.: Westview Press, 1991, 202 pp.

Andrew MacIntyre. *Business and Politics in Indonesia*. London: Allen and Unwin, 1991, 282 pp.

Richard Robison. *Indonesia: The Rise of Capital*. London: Allen and Unwin, 1986, 425 pp.

Introduction

THE study of the comparative political economy of development has gone through a number of distinct phases. The books under review here may herald the beginning of a new phase by drawing our attention to a region of the Third World—Southeast Asia—that is likely to provide fertile ground for social science theorizing in the 1990s. These books may also be considered the opening salvos in a debate about how best to interpret the experience of the region and how to generalize from that to the larger issues of Third World development. This review explores the debate and attempts to show the relevance of Southeast Asia for the comparative political economy of development.

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During the 1970s attention was focused on Latin America, and the theoretical constructs "dependence" and "dependent development" were added to the lexicon. More generally, it was a decade in which influential voices warned of the twin dangers of global domination by (American) multinational corporations and the continued impoverishment of a Third World locked in an increasingly homogeneous, hierarchical, world capitalist economy.[1] The 1970s was also the United Nations' second development decade, a decade often characterized by confrontation between North and South over the proposed New International Economic Order (NIEO).

In the 1980s attention was directed to Northeast Asia, where spectacular growth helped to dispel the pervasive gloom of the 1970s. Dependency analysis, even in its revised, dependent development formulation, had not predicted and could not explain this record of economic growth and industrial diversification. Attempts to devise a framework to explain these cases quickly fell into two broad categories—one market-oriented and the other more state-centered. Both frameworks tended to emphasize the uniqueness of countries such as Taiwan and South Korea.

The discipline of economics emphasized the outward orientation of the region's development strategies, what they believed were relatively free markets, and the conservative nature of government macroeconomic policy.[2] There was diversity within this broad framework, and even the World Bank acknowledged that since markets are rarely perfect, governments "must sometimes intervene to achieve an efficient outcome."[3] It is more generally true of this framework, however, that even when there is grudging agreement that governments "have been a determining force in economic development," the concession is quickly qualified by the assertion that these same governments "did not try to overwhelm the market, and were flexible enough to adjust policies when necessary."[4]

[1] Richard J. Barnet and Ronald E. Muller, *Global Reach: The Power of the Multinational Corporations* (New York: Simon and Schuster, 1974); Jean-Jacques Servan Schreiber, *The American Challenge* (New York: Atheneum, 1968); Immanuel Wallerstein, *The Capitalist World-Economy* (Cambridge: Cambridge University Press, 1979); Folker Froebel, Jurgen Heinrichs, and Otto Kreye, *The New International Division of Labor* (Cambridge: Cambridge University Press, 1980).

[2] Among the many studies, those frequently cited include Bela Balassa, *The Newly Industrializing Countries in the World Economy* (New York: Pergamon Press, 1981); Jagdish Bhagwati, *Anatomy and Consequences of Exchange Control Regimes* (Cambridge, Mass.: Ballinger, 1978); and Ramgopal Agarwala, "Price Distortions and Growth in Developing Countries," *World Bank Staff Working Papers*, no. 575 (Washington, D.C.: World Bank, 1983).

[3] World Bank, *World Development Report, 1987* (New York: Oxford University Press, 1987), 5.

[4] William E. James, Seiji Naya, and Gerald M. Meier, *Asian Development: Economic Success and Policy Lessons* (Madison: University of Wisconsin Press, 1989), 18.

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Proponents of this framework see Northeast Asia as unique in its fealty to the market.

In contrast to the neoclassical explanation, most other social scientists (including some notable economists) have emphasized the pattern of extensive state intervention in the market. According to this view, not only are the Northeast Asian states consciously "getting prices wrong," but they are also distorting prices to create comparative advantage and thereby "pick winners."[5] Proponents of this view have stressed the unique influences of the region's colonial history, its geostrategic importance, and its class structures and success with land reform. All these factors have contributed to the emergence of "strong" states that are relatively free of linkages to societal groups that could limit the ability of the state to intervene in or regulate the economy.[6]

While this debate over Northeast Asia continues, the 1990s has shifted the focus to new approaches and new regions. One approach that seems especially productive is the effort to compare selected Latin American NICs with Taiwan and South Korea.[7] Whereas earlier comparisons had often exaggerated the contrast between the two regions—between the "inward-oriented" Latin America and the "outward-oriented" Northeast Asia—more recent work has highlighted important qualifications of this dichotomy and demonstrated a number of significant *intra*regional variations. As important as these contributions undoubtedly are, however, the comparative enterprise is handicapped by the basic uniqueness of each of the two regions: their resource endowments, their colonial histories, their political cultures and regime types.[8]

[5] See, e.g., Colin I. Bradford, "Trade and Structural Change: NICs and Next Tier NICs as Transitional Economies," *World Development* 15 (March 1987); Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton: Princeton University Press, 1990); and Richard Leudde-Neurath, "State Intervention and Export-oriented Development in South Korea," in Gordon White, ed., *Development States in East Asia* (London: Macmillan, 1988).

[6] Bruce Cumings, "The Origins of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles, and Political Consequences," *International Organization* 38 (Winter 1984); and Thomas Gold, *State and Society in the Taiwan Miracle* (Armonk, N.Y.: M. E. Sharpe, 1986).

[7] Peter A. Gourevitch, ed., "The Pacific Region: Challenges to Policy and Theory," *Annals of the American Academy of Political and Social Science* 505 (September 1989); Seiji Naya et al., eds., *Lessons in Development: A Comparative Study of Asia and Latin America* (San Francisco: Institute for Contemporary Studies, 1989); Gary Gereffi and Donald L. Wyman, eds., *Manufacturing Miracles: Paths of Industrialization in Latin America and East Asia* (Princeton: Princeton University Press, 1990); and Stephan Haggard, *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries* (Ithaca, N.Y.: Cornell University Press, 1990).

[8] While few are recommending that the Third World follow the lead of Latin America, many have suggested that Northeast Asia is an appropriate model. But others before us have questioned the prospect of replicating the experience of Northeast Asia. See William R. Cline, "Can the East Asian Model of Development Be Generalized?" *World Development* 10

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The books under review here illustrate the importance of studying Southeast Asia.[9] The countries of that region have obviously done something right. Over the twenty-five-year period 1965–90 their growth rates have been among the world's fastest. Even measured on a gross national product per capita basis, the averages have been high: 4.5 percent for Indonesia, 4.4 percent for Thailand, and 4.0 percent for Malaysia.[10] The economy of each of these countries has experienced a transformation, so that today the share of industry in total production is over 30 percent, which in every case is larger than the share of agriculture.[11] Along with a growth in industry has come a dramatic increase in exports; over the period 1970–87 these countries rank seventh (Thailand), eighth (Indonesia), and sixteenth (Malaysia) among all nations in percentage growth of exports.[12]

The books under review are important even for those who are not specialists on Southeast Asia. They offer new cases and findings that can enrich earlier comparisons of two quite distinct regions. Beyond increasing the number of units in the comparisons, Southeast Asia comes closer to the general experience and conditions of the Third World than does either Latin America or Northeast Asia. We will return to this point in our conclusion.

At the risk of emphasizing differences more than the common concerns raised by these books, we divide them into two categories. The first category—the books by Jomo, Robison, and Hewison—stresses a more historical, comprehensive, and structural approach to explaining the dynamics of the Southeast Asian political economies. We consider these authors to be structuralists because they utilize approaches that

> emphasize capitalist power stemming from the very indispensability of the capitalist class as the machine that drives the economy. In this sense the capitalists exert a veto power over the state, whose leaders, although exer-

(February 1982); and Clive Hamilton, "Can the Rest of Asia Emulate the NICs?" *Third World Quarterly* 87 (October 1987).

[9] For the purposes of this essay Southeast Asia is restricted to Thailand, Malaysia, and Indonesia. However, it might be added that those who have included Singapore in the study of East or Northeast Asia are doing a great disservice to geography. Singapore's extraordinary dynamism is inextricably linked to its location at the tip of the Malaysian peninsula: it serves as the processing center for many of the raw materials of its Southeast Asian neighbors, and it is a favored site for the regional headquarters of transnational corporations operating in Southeast Asia. We hope this essay will open a revanchist campaign for Singapore and its rightful position in Southeast Asia.

[10] World Bank, *World Development Report, 1992* (New York: Oxford University Press, 1992), Table 1.

[11] James et al. (fn. 4), Table 1.5.

[12] General Agreement on Tariffs and Trade, *International Trade, 1987–88*, vol. 1 (Geneva: GATT, 1988), Table 13.

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cising a degree of autonomy, must always consider the consequences of policies which threaten the flow of investment.[13]

The second category—composed of the books by Laothamatas, Bowie, Doner, and MacIntyre—focuses on narrower, interest-group and institutional approaches to the contemporary dynamics of the Southeast Asian political economy.[14] These authors seek to achieve the goals of a broader institutionalism, defined by Doner as an approach that "(1) incorporates private sector and public sector arrangements, (2) appreciates the coalitional bases of such arrangements, and (3) recognizes the utility of combining political support for local firms with pressure on them to conform to market forces." In this view, developmental states are one component of, one participant in, broader institutions that provide solutions to the collective action problems common to developing nations.[15]

Beyond their additional intra- and interregional insights, all of the books under review also tackle some of the more theoretical issues being debated today, issues that have broader implications for the general frameworks of comparative political economy of development. The following are some of the questions raised by this literature.

1. Is state autonomy from societal linkages truly essential to rapid economic growth and the formation of a capitalist class or is it essential only at early stages of diversification, becoming unimportant or even counterproductive at later stages of industrialization?
2. What are the political consequences of rapid industrialization, especially with the rise of a dynamic, assertive, internally divided capitalist class?
3. How does the international environment (both colonial and postindependence) shape the menu of developmental choices open to political elites, and, related to this, how do international shocks force risky, unpopular choices of development strategy?
4. How do political elites, depending on regime type, balance the twin goals of legitimizing their rule and creating the conditions for rapid economic growth; are these goals contradictory, or if they are not contradictory, what kinds of political coalition and legitimation strategy are most conducive to industrialization?
5. What forms of institutional arrangement, both within the state and encompassing new forms of state-society linkage, are most likely to foster

[13] Richard Robison, "Industrialization and the Political and Economic Development of Capital: The Case of Indonesia," in Ruth McVey, ed., *Southeast Asian Capitalists* (Ithaca, N.Y.: Cornell Southeast Asia Program, 1992), 87.

[14] For a recent review of some of the issues raised by the new field of institutional economics, see Beth V. Yarbrough and Robert M. Yarbrough, "International Institutions and the New Economics of Organization," *International Organization* 44 (Spring 1990); and Richard F. Doner, "Limits of State Strength: Toward an Institutionalist View of Economic Development," *World Politics* 44 (April 1992).

[15] Doner (fn. 14), 401.

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constructive decision making that reduces the prospect of "rent-seeking" and enhances international competitiveness?

To address these questions and explore the variety of answers provided by the authors, we turn first to the structuralists.

Structural Explanations of the Southeast Asian Political Economy

Since the early 1980s, primarily as a response to the failure of the dependency school to explain Southeast Asian political and economic development,[16] a structural approach emerged. In contrast to dependency, which emphasizes the subordination of indigenous states to international capital and the weakness or absence of a domestic capitalist class, structural explanations start with a recognition that a series of dramatic internal transformations has taken place in Southeast Asia since the mid-1970s. These changes comprise "rapid industrialization, the emergence of powerful, centralized authoritarian regimes and complex bureaucratic structures together with the accelerated spread of new class relationships in both the town and the countryside."[17]

In its search for the dynamics of these new phenomena, the structural approach stresses three different, yet closely connected, variables—the state, the domestic capitalist class, and the international economy—that are deemed to be central to any understanding of the Southeast Asian political economy. Of course, each author within this tradition weights the different variables and their interactions slightly differently. The authors also discuss other issues that tend to soften the structuralist framework and that begin to add politics to the analysis. These include (1) the need felt by Southeast Asian politicians to balance the impulse toward capital accumulation with the desire to attain social legitimacy for the regime and (2) the growing fragmentation of the incipient capitalist class, and as a result of these factors, (3) the increasing complexity of state-society linkages. Together, these factors constitute the major variables in

[16] There are relatively few studies of Southeast Asia that rigorously follow the tenets of the dependency school. Among the works that have been influenced by the school are Rex Mortimer, ed., *Showcase State: The Illusion of Indonesia's Accelerated Modernization* (Sydney: Angus and Robertson, 1973); Richard Robison, "Toward a Class Analysis of the Indonesian Military-Bureaucratic State," *Indonesia*, no. 25 (April 1978); Peter Bell, " 'Cycles' of Class Struggle in Thailand," *Journal of Contemporary Asia* 8, no. 1 (1978); and Khor Kok Peng, *The Malaysian Economy: Structures and Dependence* (Kuala Lumpur: Marian and Sons, for Institut Masyarakat, 1983).

[17] Richard Higgott and Richard Robison, "Theories of Development and Underdevelopment: Implications for the Study of Southeast Asia," in Higgott and Robison, eds., *Southeast Asia: Essays in the Political Economy of Structural Change* (London: Routledge and Kegan Paul, 1985), 3.

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the structural explanation of the dynamics of the Southeast Asian political economy.

The three authors share two broad areas of agreement. First, all take a historical approach that traces the evolution of the role of the state and class relationships since the mid-nineteenth century. Each has a slightly different focus, however. Robison is primarily concerned with the impact of a strong state upon the emergence of a capitalist class in Indonesia; Hewison concentrates on the interactions between the Thai state and the capitalist class; and Jomo places greater emphasis on the historical transformation of social relationships between classes in Malaysia. He first looks for examples in the relations between peasants and landlords and later considers the relations between workers, capitalists, and the state.

Second, each author, reinforcing the historical approach, seeks to explain the rise of a capitalist class. Each country presents a variation on this central theme. According to Robison, a central feature of Indonesian history up to 1965 was the absence of an indigenous bourgeoisie. But he also argues that past efforts to find a "missing bourgeoisie" and thereby explain the dynamics of Indonesian politics have misdirected their focus to the declining Muslim petty capital and have missed "structural relationships between politics, society, and economy" (p. 113).[18] In challenging this earlier scholarship, he locates the emerging capitalist class within the regime and in the connections between the politico-bureaucrats and the private sector, especially Chinese capital. Recognizing the economic and political need to protect national capital, the New Order state (post-1965, Suharto) moved away from the laissez-faire, growth-oriented economic policy in the mid-1970s and shifted to ISI (import-substitution industrialization), in which the state attempted to play the role of "developer, stabilizer, and dynamiser" (p. 151). Directly from this state intervention in the economy there emerged a domestic capitalist class. As Robison declares, "By the end of the 1970s the picture of domestic capital as weak, dependent and subservient could no longer be sustained" (p. 176). His detailed case study reveals the structure and nature of four segments of domestic capital: capital owned by the state, the military, the Chinese, and the indigenous groups. Based on his research in the early 1980s, Robison found that the Indonesian capitalist class was fractured by "internal tensions and conflicts and had not established political authority over the state apparatus" (p. 373).

[18] See also Harold Crouch, "The Missing Bourgeoisie: Approaches to Indonesia's New Order," in David Chandler and M. C. Ricklefs, eds., *Nineteenth and Twentieth Century Indonesia* (Clayton, Victoria, Australia: Center of Southeast Asian Studies, Monash University, 1986).

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In *Bankers and Bureaucrats*, Hewison traces the four stages of the transformation of the state-class relations (pre-1855, 1855–1932, 1932–57, and 1957–present). He contends that since Thailand was integrated into the world market in the mid-nineteenth century, the state has played an essential function in fostering a domestic capitalist class, either through creating a favorable "superstructure" (regularizing and centralizing the state administration; protecting the interests of capital from the threat of the working class; formulating a development strategy and providing "an ideological panacea") or through direct involvement in the economy, including a period of state-led industrialization between 1932 and 1957. Similar to the case in Indonesia, state officials and capitalists forged a close alliance. Hewison asserts that "the capitalist class had become the dominant class by 1957" (p. 91).

Jomo is chiefly concerned with continuity and change in Malaysian social and class relationships and the impact of the state upon the economy through the precolonial, colonial, and postindependence eras. In the process, however, Jomo stresses the "class bias" of both colonial and postcolonial states in their support of capitalists and wealthier peasants at the expense of poor peasants. This rejection of the prevailing view, which holds that ethnic division is the key to the country's history, serves as the guideline for his exploration of contemporary Malaysian political economy.[19]

Central to Jomo's interpretation of postcolonial Malaysia is the ascendancy of "a statist capitalist class" facilitated by three major factors. One factor, he argues, is that growing *class*-based contradictions have fueled *racial* tension and conflict. This conflict provided the opportunity for a more assertive faction within the ruling party to consolidate and advance itself, in part by manipulating racial tensions. Second, the state has actively promoted industrialization through the building of infrastructure, tariff protection, and subsidization of new concerns. Third, and most important, through their control of the state apparatus, Malay politicians, bureaucrats, and well-connected businessmen have undertaken capital accumulation and now constitute a new social class. Jomo concludes that "class contention is the main motive force of history" and that the state has greatly influenced the process of class formation in Malaysia (pp. viii, 283). In this view continued elite Malay political domination is supported

[19] An interpretation similar to that of Jomo can be found in Rustam A. Sani, "The Malay Ruling Elite in the Post-Colonial State of Malaysia," *Solidarity* 114 (September–October 1987). See also Ozay Mehmet, *Development in Malaysia: Poverty, Wealth and Trusteeship* (Kuala Lumpur: INSAN, 1988); and Lim Mah Hui, "Contradictions in the Development of Malay Capital: State, Accumulation, and Legitimation," *Journal of Contemporary Asia* 15, no. 1 (1985).

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by poor Malays who fear the Chinese. Ethnic tensions prevent the emergence of class-based political movements.

Conceptualizations and Causal Explanations

The previous brief, simplified summary of the structuralists' empirical findings should permit a closer look at their theoretical underpinnings and key concepts, as well as at their domains of analysis (including both levels and units of analysis).

All three studies begin at the level of the nation, but the nations under study are not isolated entities; rather, they are subject to structural forces that are both international and domestic in origin. This consideration of multiple factors, which is the greatest strength of the structural approach, also leads to some of the problematic assumptions made in the application of the framework.

To explore the causal analysis and findings of the structuralist approach, the remainder of this section responds to the five broad questions posed in the introduction.

The State, Its Definition, Its Autonomy, and Its Relationship to Industrialization

Without doubt, the state occupies a central place in the three studies under review. The recent effort at "bringing the state back in" has given rise to a number of conflicting definitions of the term and at least four conceptualizations have appeared in the literature. These are (1) the state as government ("by which is meant the collective set of personnel who occupy positions of decisional authority in the policy"), (2) the state as "public bureaucracy or administrative apparatus as a coherent totality" and as an institutionalized legal order, (3) the state as ruling class, and (4) the state as normative order.[20]

Broadly speaking, the structuralists see the state as a ruling class: all underscore the critical role of the political and economic elite in the making and shifting of state policies. Nevertheless, the authors under discussion here go beyond this instrumental view, which sees the state as merely a manifestation of the dominant social forces. They pay great

[20] The conceptualizations are those of Stephen Krasner, "Approaches to the State: Alternative Conceptions and Historical Dynamics," *Comparative Politics* 16 (January 1984). See also Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985); Bert Rockman, "Minding the State—Or a State of Mind? Issues in the Comparative Conceptualization of the State," *Comparative Political Studies* 23 (April 1990); and Donald K. Crone, "State, Social Elites, and Government Capacity in Southeast Asia," *World Politics* 40 (January 1988). The prototype for critical analysis of the role of the state in the Third World can be found in Hamza Alavi, "The State in Postcolonial Societies: Pakistan and Bangladesh," *New Left Review* 74 (July–August 1972).

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attention to the relative autonomy of the state from society without losing sight of the structural constraints upon the state. Robison, for example, focuses on an autonomous state that arose from "a social vacuum" and on its crucial effect in shaping class relations in Indonesia. Hewison argues that "the state should be considered as being autonomous from the economic sphere, at least in theory" (p. 31). Jomo considers three aspects of the state—"as an object, as an outcome, and as a determinant of ongoing class contention" (p. 283)—yet he appears to be concerned mainly with the impact of the state on social and class relationships in Malaysia.

Within this framework the strong leadership of the state is regarded as the key factor in the emergence of a capitalist class. By granting special privileges to select groups within the ruling elite, by building much-needed infrastructure for the private sector, by mediating conflicts among various factions of capital, and by counterbalancing the threat of the working class, the state has facilitated the birth and maturation of a domestic capitalist class.

However, this approach, which stresses the relative autonomy of the state, is weaker in its analysis of the capacities of the state (meaning the ability of the state to "implement official goals, especially over the actual or potential opposition of powerful social groups or in the face of recalcitrant socioeconomic circumstances").[21] This reveals a lack of attention to the institutional foundation of the state policy. It is at this juncture that the institutional approach could provide a useful supplement to the structural explanation of the Southeast Asian political economy.

INDUSTRIALIZATION, CLASS FORMATION, AND THEIR POLITICAL IMPLICATIONS

Class analysis is the second major conceptual tool of the structural approach. The authors are quite consistent in their use of the term, which is derived primarily from Marxist antecedents; all stress the social relationships of production (Hewison, 16–20; Jomo, 310–11).[22] Therefore, their major concern is the bourgeoisie (or "capital-owning class"), rather than the middle class.[23] For them, the capitalist class is the major dy-

[21] The definitions of state autonomy and state capacities are from Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research," in Evans, Rueschemeyer, and Skocpol (fn. 20), 9.

[22] As Higgott and Robison put it, class analysis is closely related to the notion of production, which is "the starting point" of the political economy approach to Southeast Asia; Higgott and Robison (fn. 17), 46.

[23] See Robison's discussion of the difference between the theories of capitalist class and the middle class, in "Problems of Analyzing the Middle Class as a Political Force in Indonesia," in Richard Tanter and Kenneth Young, eds., *The Politics of Middle Class Indonesia* (Clayton, Victoria, Australia: Center of Southeast Asian Studies, Monash University, 1990); see also

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namic behind the region's contemporary history. Following Bill Warren, Robison holds that "the most important revolutionary force at work in the Third World today is not communism or socialism but capitalism" (p. vii). Similarly, Hewison contends that "the capitalist class is extremely powerful [in Thailand]" (p. 214). And for these authors capitalism is conceptualized both as an abstraction and as a concrete reality embodied in the class actions of a bourgeoisie.

The authors offer perceptive insights and impressive data concerning the formation and fragmentation of the capitalist class. Yet they (especially Robison and Hewison) pay little attention to the changing class relationships in the countryside and to the function of the working class in the making of the capitalist class.[24] For example, in an extensively documented and nuanced analysis, Robison shows how the Indonesian state through Bulog (Badan Urusan Logistik Nasional—National Logistics Board) exercises a monopoly over the distribution and pricing of basic commodities, notably rice, sugar, and flour. He argues that the "crucial function of Bulog is to provide the basis for political and social order by ensuring stability in the supply and pricing of basic commodities" (p. 229). But themes related to capital accumulation in the countryside, the provision of cheap food for urban workers, or the political costs of state control of agriculture are not developed; rather, the analysis moves quickly to the role of Bulog as a "major launching pad for domestic corporate capital, through its power to allocate distributorships and contracts, as well as a major source of funds for the private and political needs of the politico-bureaucrats who have controlled it" (p. 229).

Hewison has a fine chapter on industrial capital, the key role played by the state in the development of the industrial sector, and the interrelationship of these two actors as the industrial sector moved in the direction of a greater export orientation. He documents the rise in employment in the industrial sector and concludes his chapter by citing three significant points: (1) "the state was clearly determined to promote the

idem, "Authoritarian States, Capital-Owning Classes, and the Politics of Newly Industrializing Countries: The Case of Indonesia," *World Politics* 41 (October 1988).

[24] In the role of agrarian capitalism, see Gillian Hart et al., eds., *Agrarian Transformation: Local Processes and the State in Southeast Asia* (Berkeley: University of California Press, 1989); Jonathon Pincus, "Approaches to the Political Economy of Agrarian Change in Java," *Journal of Contemporary Asia* 20, no. 1 (1990). For studies dealing with the relationships between labor, capital, and the state, see Peter Limqueco, Bruce McFarlane, and Jan Odhnoff, *Labour and Industry in* ASEAN (Manila: Journal of Contemporary Asia Publisher, 1989); Frederic C. Deyo, ed., *The Political Economy of the New Asian Industrialism* (Ithaca, N.Y.: Cornell University Press, 1987); and idem, *Beneath the Miracle: Labor Subordination in the New Asian Industrialism* (Berkeley: University of California Press, 1989).

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development of the textile industry, but not in the form that existed in the fifties"; (2) "political connections have been significant throughout the industry's development"; and (3) "foreign investors, especially the Japanese, have played a key role" (p. 172). His analysis remains at the level of the elite, but we believe that any discussion of the changes taking place in these political economies should focus not only on political interactions at the highest level, but also on the impact of these changes on the working classes, on patterns of legitimation, and on the dynamics of political change.

The structuralists' relative lack of attention to the working class and the countryside not only reflects the flaws of their capital-centered focus (capital in both economic and geographic senses), but more importantly it weakens the argument that class contention is the driving force of history in Southeast Asia. Without a vision of the countryside or the proletariat, politics for these authors is reduced to the jockeying for power among fractions of capital or among political elites in the capital cities of the region. As should be evident, the nature of a class can only be determined by examining its interactions with other classes, not merely by looking at the inherent function of a class per se. In other words, the process of proletarianization should be viewed as an indispensable side of capital formation.

THE STRUCTURAL IMPERATIVES OF THE INTERNATIONAL ECONOMY

The nature of the global economy has a profound impact upon domestic class relations. Like the concept of class itself, this conceptualization is related to production. As Robison puts it: "Production is quite clearly a global, not national process."[25] The workings and influence of the international economy are seen from two perspectives. First, the integration of the domestic economy into the world market since the mid-nineteenth century has accelerated the process of capital accumulation. The international division of labor continues to serve as a dynamic that broadly determines the levels of industrialization in specific social formations. Second, in terms of policy, international pressure for "sound" administration has affected, sometimes indirectly, domestic class formation. The postcolonial state in Malaysia in 1957, for example, pursued an industrialization policy (the promotion of private enterprise, the diversification of production, and the substitution for imports) that was designed in response to a World Bank report (Jomo, 220–21). A similar World Bank report helped shape the pattern of industrialization in Thailand at the

[25] Higgott and Robison (fn. 17), 46.

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same time (Hewison, 94). Likewise, as the Indonesian government was forced to undertake structural adjustment and to move toward a more outward-oriented economy during the 1980s, the exact nature of its policy reform package was strongly influenced by the World Bank (Robison, 379–85).

CONFLICTS, POLITICAL ALLIANCES, AND THE BUILDING OF RULING COALITIONS

So far, we have discussed the role of the state in the process of class formation within the context of a changing international economy. We have not yet looked at the political implications of this process.

For the structuralist, the most significant conflict is between the search for capital accumulation and the need to provide social and political legitimacy for the process and outcomes of this capital accumulation. The bases of this conflict are manifested in the income distribution among various class and ethnic groups and the chances of political participation for the vast majority of the people. In Indonesia, this contradiction is shown in the economic nationalism of indigenous Muslim capital and its hostility toward foreign and Chinese capital. The attempt to reconcile the two poles is the backdrop for the rise of certain special forms of capital-politics alliance such as the "Ali-Baba" phenomenon, which refers to an alliance between the politically connected indigenous Indonesian [Ali] and the skilled Chinese entrepreneur [Baba]. These alliances determine the nature and features of the Indonesian political economy and provide the basis for the structuralists' argument that "the ruling class does not rule" in cases where the leading element of domestic capital—Chinese capitalists—are prevented from playing a public political role.

In postcolonial Malaysia, as Jomo has made clear, the state attempts to "simultaneously serve two, sometimes contradictory, ends: while it facilitates the process of capital accumulation by maintaining the conditions for continued exploitation, it also seeks legitimacy as the embodiment of the collective social interest" (p. 235). The intertwining of class and ethnic factors further complicates the picture. The dominance of a Malay statist capitalist class rests largely upon its ability to provide sustained economic growth, which in turn depends on the successful integration of Chinese and foreign capital—in other words, on the effort to minimize the racial confrontation. The tension between political and economic strategies is apparent here; political dominance by Malays may depend on the manipulation of racial animosity while the protection of collective elite economic interests requires racial collaboration.

In Thailand alliances within the capitalist class are more evident,

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largely because the Chinese have been smoothly assimilated into Thai society and ethnic differences no longer figure as a major issue in the country's politics. Thus, Hewison pays greater attention to the convergence of interests between the political elite and capital. This elite cohesion should be taken seriously in the explanation of Thailand's "growth coalition."[26]

In Indonesia, as Robison has shown, in addition to ethnic divisions there are two other important levels of structural conflict and alliance that have a strong influence upon political and economic development. One is derived from the dual roles of the politico-bureaucrats: as power holders, they exhibit their natural patrimonial tendency; and as owners of capital, their entrepreneurial impulse emerges. Another conflict, first evident in the early 1980s, is the contradiction between the immediate interest of the emerging capitalist coalition (continuing to follow an inward-looking industrialization strategy) and the growing need for policy change if the development of Indonesian capitalism is to be sustained (shifting to an outward-looking strategy that seeks to integrate the country into the new international division of labor and undertake structural adjustment).

These series of conflicts and reconciliations are the inevitable products of the particular structural imperatives through which the Southeast Asian political economy has evolved. They also place significant constraints upon the options for the ruling state elite in the formulation and implementation of major policies. Hence, from a structuralist viewpoint, the making and unfolding of these dilemmas has largely determined and will continue to determine the nature of the region's political economy. Put in a comparative perspective, the nature of these structural imperatives explains the differences between the experience of countries such as South Korea and Taiwan in Northeast Asia and the current path of economic development in Southeast Asia.

STATE-SOCIETY LINKAGES AND INSTITUTIONS

The interaction between the state and society has been one of the most important factors affecting the process of economic growth in Southeast Asia. As it is usually defined, the state-society linkage is primarily an examination of "states *in relation to* particular kinds of socioeconomic and political environments populated by actors with given interests and

[26] For an analysis of "growth coalitions," see J. A. C. Mackie, "Economic Growth in the ASEAN Region: The Political Underpinnings," in Helen Hughes, ed., *Achieving Industrialization in East Asia* (Cambridge: Cambridge University Press, 1988).

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resources."[27] What is the position of the structuralists on this issue? Is it a statist approach, as some label it?

There is no general agreement on how to interpret the nature of state-society relations in the structural framework. Robison's *Indonesia: The Rise of Capital*, for instance, is characterized by some as state-centered while others view it as society-centered.[28] Either of these extremes is problematic, however: no state is completely autonomous and no civil society in the Third World has yet played a fully dominant role. We should therefore be concerned with the degree of independence (or autonomy) the state has from societal forces and the changing balance within interactions. It may be fair to suggest that while the structural explanation has assigned a key role to the state, it does not preclude societal influence. Not only is the very autonomy of the state a product of a particular social structure (for example, one without a strong domestic capitalist class), but the state is also subject to the influence of the emerging class it has created and promoted.

The Dynamics of Economic Growth and Liberalization

Any framework—structuralist or otherwise—that is concerned with the dynamics of the Southeast Asian political economy ought to be able to explain the causes of the region's rapid economic growth and the current trend toward liberalization. To this end, the structuralists maintain that the most fundamental connection between the dynamics of the Southeast Asian political economy and rapid economic growth is the growing identification between the state officials and a relatively strong domestic bourgeoisie. "Why," Robison asks, "did the state [in Indonesia] take such pains to develop the indigenous bourgeoisie?"[29] The answer lies in the increasing integration of the state elite with the domestic capitalist class, as they act as joint venture partners or monopoly license holders or managers of state-owned enterprises. In this way, their political and economic interests rest largely upon their ability to control and dispense state resources for political patronage. Robison's chapter, "The State Corporate Sector and State Managers of Capital," is replete with examples of political entrepreneurs and politico-bureaucrats. He shows how the state cor-

[27] Skocpol (fn. 21), 19 (emphasis in original). See also Timothy Mitchell, "The Limits of the State: Beyond Statist Approaches and Their Critics," *American Political Science Review* 85 (March 1991).

[28] Jeffrey Winters, review of Robison's book, in *Indonesia* 45 (April 1988); MacIntyre, *Business and Politics in Indonesia*, 14–16. A recent study of the state-society relationship in Indonesia is Arief Budiman, ed., *State and Civil Society in Indonesia* (Clayton, Victoria, Australia: Center of Southeast Asian Studies, Monash University, 1990).

[29] Richard Robison, "The Rise of Capital," *Inside Indonesia* 9 (November 1986), 2.

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porations control the oil industry and are significant in mining and forestry. In these sectors the state establishes production and work-sharing agreements with the foreign companies that make the bulk of investments and carry out production. These vital sectors embrace "the major sources of foreign exchange earnings and state revenues" (p. 217). Robison further documents that the state banks provide the bulk of commercial credits (p. 18), that in the 1974 census state-owned firms contributed around 20 percent of output, value added, and employment (p. 219), and that state corporations continue to occupy a dominant position in agricultural estates, shipping and air transport, construction and trade (p. 220). Similar, although somewhat less extensive, patterns of state ownership and control of vital sectors of the economy are also found in Thailand and Malaysia.

All three authors examine mechanisms that channel this increasing convergence of interests between the state elite and capital; each emphasizes such methods as using public funds for private capital, building infrastructure, and state investment in large industrial projects as a catalyst for capital accumulation in the private sector. Yet none of the authors draws serious attention to the strength (or the weakness) of the institutions that both make and implement these policies and actualize the potential of these mechanisms that connect state officials and the capitalist class.

From a structuralist perspective, then, the Southeast Asian record of rapid economic growth and the fortunes of the capitalist class in particular seem to depend on the continuation of a favorable political system and a network of political alliances. If that is so, however, their long-term prospects would seem to be in question.[30] Yet, oddly enough, Hewison employs a somewhat simplistic, pluralist assumption which holds that liberalization and democratization will follow the ascendancy of an economically strong capitalist class (this is in contrast to his meticulous analysis of the formation and transformation of the social and class relationships). He predicts the possible emergence of representative democracy in Thailand, although he also talks about a tendency toward capital concentration and centralization (p. 214). Robison thinks that Indonesia is likely to follow the South Korean or Singaporean developmental state mode. Yet both fail to take account of several other important issues that may prevent these countries from moving smoothly

[30] Those whose approach places more emphasis on the explanatory power of culture take the analysis one step further and question the genuineness of the region's capitalism. For two studies that negatively contrast the transition to capitalism in Southeast Asia with earlier transitions, see James Clad, *Behind the Myth: Business, Money and Power in Southeast Asia* (London: Hyman Press, 1990); and Kunio Yoshihara, *Rise of Ersatz Capitalism in Southeast Asia* (Singapore: Oxford University Press, 1988).

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toward democratization. For example, the vulnerability of the Chinese capitalists to political change or the resurgence of racism in Indonesia could undermine economic growth. This is a serious concern, despite Robison's assertion that the large Chinese corporate family networks epitomized by Liem Sioe Liong and William Soerjadjaja are so large and so well buttressed economically and politically that they could survive the removal of state protection.[31] More generally, it is important that the structuralists begin to incorporate what Liddle calls the "relative autonomy of the Third World politician" and the influence of political culture on attitudes toward foreign capital.[32]

For Thailand, the violence that occurred in Bangkok in May 1992 is symptomatic of the intransigence of some within the Thai military when they are pressured to relinquish patrimonial privilege and position. More generally the recent Thai experience demonstrates once again that the transformation of these political economies generates tension and that the potential for political instability is quite high.

This, we believe, is of crucial importance because it illustrates that the structuralists have difficulty incorporating into their framework the periodic succession crises, the idiosyncracies of individual leaders, and the crosscutting interests typical of the evolving political systems found in the multiracial societies of Southeast Asia. Thus, despite its many strengths, the structuralist framework must be augmented with other analytical approaches if we are to understand day-to-day politics and the concrete decisions about development policy made by politicians in dynamic societies.

Institutional Explanations of the Southeast Asian Political Economy

In contrast to the works employing a structural approach, the books grouped under the rubric of an institutionalist approach are more sharply focused in what they seek to explain and are less concerned with the broad sweep of historical development. Instead, these books draw our attention away from structures and states and toward subnational units of analysis at the level of civil society. They focus on the recent emergence of a new balance of power, new patterns of interaction, conflict, and (increasingly) cooperation, which ally the private business sector

[31] For further critical analysis along this line, see Richard Tanter, "*Indonesia: The Rise of Capital*: A Critique," *Asian Studies Association of Australia Review* 12 (July 1988).

[32] R. William Liddle, "The Relative Autonomy of the Third World Politician: Soeharto and Indonesian Economic Development in Comparative Perspective," *International Studies Quarterly* 35 (December 1991). See also James Cotton, "The Limits to Liberalization in Industrializing Asia: Three Views of the State," *Pacific Affairs* 64 (Fall 1991).

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with some elements of the government in the pursuit of more rapid economic growth and international competitiveness.

Doner analyzes the automobile industry and contrasts state-society linkages and patterns of bargaining with the automobile transnational corporations (TNCs) across Thailand, Indonesia, Malaysia, and the Philippines. Laothamatas studies the rise of business interest groups in Thailand and challenges the regnant bureaucratic-polity model of Thai politics. MacIntyre presents three industry case studies that also document rising levels of influence for societal actors, particularly business interest groups. And Bowie explains how the changing nature of both communal relations and state-society linkages in Malaysia have led to a more interventionist state and a state-led model of industrial deepening.

These books thus loosely fit into a body of literature on institutions and institutional analysis that is now exceptionally diverse. This literature, variously called institutionalism, neo-institutionalism, and the new economics of organization (NEO), is concerned with the family, with the state, with international relations, and now with the contribution of civil society to the efficient management of economic development. What is perhaps most important for this review is that for the institutionalists, or proponents of the new economics of organization, the basic unit of analysis is the "transaction, viewed as a relationship or contract."[33]

As David Feeny points out, "A demand for institutional change arises when some gain cannot be captured under current institutional arrangements."[34] For example, in the case of Thai property rights described by Feeny, nineteenth-century increases in land rent resulting from a rising population and agricultural exports led to more disputes over ownership and control of the land. Transition from a system of usufruct to a secure system of property rights for land allowed the noncultivating elites to capture capital gains. This elite included government officials who participated in the land boom. The government that provided the new institution also benefited because of its enhanced ability to collect land taxes.[35] Feeny is here within the broad intellectual tradition that examines the demand-induced models of institutional change.[36]

[33] A recent review essay that discusses some of this literature is Yarbrough and Yarbrough (fn. 14), quotation at 241. A study that examines institutions in a range of developing nations is Vincent Ostrom, David Feeny, and Harmut Picht, eds. *Rethinking Institutional Analysis and Development: Issues, Alternatives, and Choices* (San Francisco: International Center for Economic Growth, 1988).

[34] David Feeny, "The Development of Property Rights in Land: A Comparative Study," in Robert Bates, ed., *Toward a Political Economy of Development: A Rational Choice Perspective* (Berkeley: University of California Press, 1988), 272.

[35] Ibid., 283–88.

[36] For an example of this literature, which explores agricultural change, see Yujiro Hayami

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The study of Korea and Taiwan has, by contrast, been less concerned with the demand for new institutions and more interested in how a fundamental set of institutions within government shapes decisions about development strategy. A representative formulation of the institutional approach there argues that

> the state is not only an actor but a set of institutions that exhibit continuity over time: a field of play that provides differential incentives for groups to organize. Because of variations in institutional structure, political elites differ in their organizational capabilities and the instruments they have at their disposal for pursuing their goals. Institutional variation is critical for understanding why some states are capable of pursuing the policies they do. It is at this intersection between choice and institutional constraint that political explanations of economic growth must be concentrated.[37]

In the case of Korea and Taiwan the study of institutions has usually been the study of institutions within the state and the emphasis has been on how these (policy-making) institutions are insulated from demands arising out of civil society. This insulation, it is argued, has given the technocrats of these countries a strong hand in the planning of industrialization strategy, in the shaping of the corporate structure of the nation's economy, and in reducing the temptation or frequency of rent-seeking behavior. In short, these institutions have been useful in solving a number of collective action problems that plague the process of development.

In Southeast Asia the technocrats have not generally benefited from a similar level of insulation. Yet these nations have grown at rates as impressive as those in the nations with relatively autonomous states that insulate their planning apparatus from redistributive coalitions and other forms of pressure. The technocrats have had to be patient and press their arguments when the governments suffered temporary revenue shortfalls because of fluctuations in commodity earnings. They have had to seek allies where they could find them, both nationally and internationally, and they have found many willing partners in the demand for new institutions within the growing and increasingly competitive capitalist classes of the region. MacIntyre and Laothamatas demonstrate this through a series of case studies and extended arguments on the rise of interest groups within the business community. The interest groups then lobby government decision makers, but more importantly they join with technocratic actors in the government who share a similar agenda. They

and Vernon W. Ruttan, *Agricultural Development: An International Perspective* (Baltimore: Johns Hopkins University Press, 1971). More broadly, this subject is also addressed in Lance Davis and Douglass C. North, *Institutional Change and American Economic Growth* (Cambridge: Cambridge University Press, 1971).

[37] Haggard (fn. 7), 4.

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create new institutions every time they create a new decision-making structure to advance their common interests. This analysis differs from the traditional pluralist framework of political science in that the government decision makers are not viewed as neutral processors of competing demands coming from a diverse set of societal actors. Rather, the government technocrats have the same goals as one set of societal actors, and they work together to transform government policy and patterns of decision making.

These mutually supportive relationships with elements of the private sector have strengthened the influence of both actors in the policy-making process. As the Southeast Asian case studies amply demonstrate, growing numbers of capitalists chafe at the inefficiencies created by continuing protection of "infant industries" and the patrimonial redistribution of wealth to favored investors. These capitalists prefer to work with the technocrats in a joint effort to open the economies of the region, to reduce government intervention in the economy, and to make it possible for the more efficient and aggressive capitalists to compete in a world market. The four books under review here are concerned with the creation of new institutions that encompass new patterns of private/public sector cooperation in the effort to open the economy, implement reform, and achieve international competitiveness.

The four books share certain elements of a common theoretical framework. First, the authors clearly challenge the state-centered approach to political and economic change in the region.[38] In their view, this explanation fails to take account of recent changes in the region and the rising importance of business associations in national politics and economy. Second, they all seek to explain development strategy or outcome in terms of the actions taken by private, society-based actors or by these actors working in concert with elements of the state. In Malaysia, Bowie asserts, economic development is best explained as the product "of the changing nature of a communal settlement" (p. 5).[39] For Doner, "coalitions in which authority is shared by public and private actors rather than monopolized by autonomous state actors can generate significant economic growth in developing countries" (Doner, 5).[40] Similarly,

[38] Laothamatas, 10; MacIntyre, 15; Doner, 3–10; and Bowie, 5–6.

[39] Although Bowie does not explicitly use the language of institutionalism, it is entirely consistent with his analysis to conceptualize the evolving agreement among the Malay, Chinese, and Indian communities as an institution created by political elites and to assume that the form this institution takes at any moment has an important impact on the nature of the Malaysian development strategy.

[40] Doner's book is the most theoretically ambitious of the four, but at the same time it focuses most narrowly on patterns of interaction among business interests and government policymakers. For him the institutions are to be found in the proliferation of business groups,

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MacIntyre argues that in Indonesia "policy formation is not monopolized by the state, the reality involves a blend of conflict and cooperation between both state and societal actors" (p. 191).[41] And Laothamatas sees Thai politics "as being mainly the struggle between the military-bureaucratic elite and the extra-bureaucratic forces." What makes the contemporary period different is that "organized business, a major societal group, has become strong enough to break the monopoly of the military-bureaucratic elite with regard to the economic policy-making of the state" (p. xi).[42]

A third key aspect of the institutionalists' analytical framework is their explanation for the increased importance of societal actors during the 1980s. They assume what the structuralists set out to prove, that is, that a dynamic, vigorous capitalist class has emerged in Southeast Asia. Hence, they begin with the existence of a capitalist class and are silent on the origins of this class.

From that starting point, the institutionalists go on to demonstrate that when the state was suffering from declining revenues during the economic downturn of the early and mid-1980s, it needed the support and cooperation of business (Laothamatas, 78–81; MacIntyre, 23; Doner, 207).

Also since the institutionalists are interested in explaining the nature of the policy-making process and not the dynamics of the entire political economy, they tend to argue that the most important actors in this drama are those most affected and most involved in policy-making and in determining economic development strategy—the business interest groups (Laothamatas, 146). They therefore discount other classes and intermediate associations such as political parties.

Conceptualizations and Causal Explanation

Following this brief introduction to the work of the institutionalists, we evaluate its contribution to broader understandings of the dynamics of the region's political economy. This discussion is based on the same five questions that were asked of the structuralists.

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networks, business-interest associations, and public-private sector consultations. For examples of his work that advance the theoretical implications of the contemporary work on Southeast Asia, see Doner, "Approaches to the Politics of Economic Growth in Southeast Asia," *Journal of Asian Studies* 50 (November 1991); and idem (fn. 14).

[41] Of the four authors, MacIntyre has the most inclusive notion of society-based actors. In addition to considering business associations, he pays serious attention to the role played by the parliament, the press, and community-based nongovernmental organizations.

[42] In comparison with Doner and MacIntyre, Laothamatas is more concerned with the autonomy of *both* the state and business associations.

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THE STATE, ITS DEFINITION, ITS AUTONOMY, AND ITS RELATIONSHIP TO INDUSTRIALIZATION

Since these case studies cover four countries in the region, it is to be expected that there will be variety in their conceptualizations of the role of the state. The overriding impression one gets is that the state in Southeast Asia is less strong and less insulated from societal pressure than Taiwan or South Korea. As the final major argument of his book, Laothamatas says that "the Thai liberal corporatism, compared to the government-business relations in the East Asian NICs, is less statist" (p. 15).

It is to their credit that these authors have opened the black box of policy-making to analysis, but this done, the state no longer remains a cohesive unit of analysis. Each element in the policy-making process becomes an actor with individual interests to be advanced. This leads these authors to define the state in ways that emphasize its openness and internal divisions. In *Driving a Bargain*, Doner calls the state "an institutional entity composed of an officially legitimated political leadership and permanent bureaucracy" (p. 10); elsewhere, however, the cohesiveness of the state is less clear because the state is only one of several institutions capable of solving collective action problems and many of these institutions incorporate discrete portions of the state.[43]

Whereas Doner sees a marked decline in the level of state influence over policy-making (p. 268), MacIntyre and Laothamatas emphasize to varying degrees the continued power of the state in the policy-making arena. MacIntyre acknowledges that Indonesia remains state-dominated (p. 258), and Laothamatas tries to avoid any suggestion that the government has become a captive of organized business—and he points out that the [state] "has displayed a distinctive autonomy in financial and security exchange affairs" (p. 139).

Reflecting the empirical grounding of these approaches and the concrete differences in the case he is studying, Bowie does not look to explain the weakening of the state; his interest lies instead in the growing role of the state in the Malaysian economy. Faithful to an institutionalist and society-centered explanatory framework, however, Bowie also explains that it is the changing nature of communal politics, both in the larger society and within the ruling national front coalition government, that causes the increase in state strength and intervention in the economy.

What is not clear from these works is whom the state represents. For the structuralists the state is a class state; it is a capitalist state and it

[43] Doner (fn. 14), 399–401.

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represents, but is not an instrument of, the capitalist class. Because the institutionalists envision the state as internally divided, they leave the reader without a sense of the collective interests of the state or even of the individual interests of key political actors. This introduces a problem because, as Feeny says:

> The willingness to provide new arrangements does not depend solely on the cost; it also depends greatly on the private benefits and costs of providing the change that accrue to the agents who are in a position to provide change, that is the elite decisionmakers of government. The fundamental institutions of a society and the initial distribution of power will thus have a significant impact on the kinds of new institutional arrangements that are supplied. In some cases the elite's interests will be compatible with actions that serve to maximize social welfare; in other cases they may not be.[44]

Thus, seeing the state as lacking cohesion and as being internally divided may be helpful in understanding the nature of debate and compromise over discrete policy issues, but it also tends to diminish one's understanding of the class and distributional impacts of the policy outputs. As Yarbrough and Yarbrough point out, the creation of institutions that solve collective action problems also entails a new distribution of rewards. In their example, the Organization of Petroleum Exporting Nations may be regarded as a successful institution solving collective action problems and generating rewards for the oil exporters, but it is hardly regarded by oil-importing countries as an example of desirable cooperation.[45] It may be similarly argued that the institutions which increase efficiency and international competitiveness in Southeast Asia have also generated political and economic costs that are not equitably distributed. But these issues are not investigated by the institutionalists under review here. Laothamatas and MacIntyre are more descriptive in their approach and are largely concerned with the factors that led to the rise of business interests groups. Doner and Bowie come closer to addressing questions of politics and equity. But even here problems remain. For example, Doner argues in his chapter "Bargaining and State-Society Relations in Southeast Asia" that his study "lends support to the view that functional concertation between public and private actors at the sectoral level can enhance the host country's leverage in manufacturing, and under certain conditions can do so more effectively than state autonomy" (p. 229). The leverage in manufacturing is the leverage to negotiate better deals with the foreign investors. Politics, it is acknowledged, can enhance

[44] Feeny (fn. 34), 274.
[45] Yarbrough and Yarbrough (fn. 14), 255.

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or weaken the bargaining leverage of the country. The obvious question is how do we know good politics from bad politics when it comes to enhancing bargaining leverage. For Doner, a "useful point of departure is whether such factors [political factors] strengthen or weaken the functional ties between government officials and local firms" (p. 240). These functional ties lead to what he calls "tacit alliances" between the state and local firms promoting national industrialization (p. 242). The remainder of this chapter provides a detailed analysis of the country-by-country evolution of these tacit alliances and their relative success in generating economic growth and industrialization. But a careful reading can result in only one conclusion, that the chapter title does not live up to its promise: an analysis of state-society relations. There is no analysis of the interests of political actors and how they seek to maximize those interests, nor is there any concern for the distributional outcomes of these tacit alliances.

By way of contrast, Bowie is much more concerned with politics, as when he argues that "among the *political* determinants of industrial strategy—specifically strategy concerning the relative weights to be accorded state and private sector initiatives in the achievement of industrial development—relations between communal groups have played a central role" (pp. 149–50). For Bowie it is clear that relations between the Chinese and Malay ethnic groups drive politics and that this in turn has been the determinative factor as a group of Malay elite politicians has sought to industrialize the nation while maintaining Malay political dominance. The institution under study is the communal bargain that governs the ethnic distribution of political and economic power. But the discussion does not give the reader a clear sense of the state-society linkages that allow a small minority of wealthy Chinese and Malay elites to protect their collective interests against demands from below. In short, Bowie has also failed to investigate the distributional impact of those institutions that facilitate, or even propel, more rapid economic growth.

The institutionalists have thus not yet addressed the question of what interests beyond economic growth and exports the state brings to the bargaining table—but they could easily do this. They would have to ask whom the state collectively represents and what the distributional implications are of the new institutions being created.

INDUSTRIALIZATION, CLASS FORMATION, AND THEIR POLITICAL IMPLICATIONS

To reiterate, the institutionalists assume the existence of a growing, dynamic, politically assertive capitalist class. Indeed, they say little about the role of other classes in society. Nor do they fully assess the political

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implications of their case studies. Rather, the authors seek to explain industrialization strategy and the changes in the policy-making process.

They contend that the new business organizations they are studying are not yet active politically and that the organizations' main influence is on policy formation. As Laothamatas says of Thailand, "Organized business is not yet a powerful force for democratization" (p. 117). Similarly, MacIntyre argues that Indonesia "is unlikely to move far in the direction of liberal democracy for some time" (p. 1). The political upheaval in Thailand during 1992 may mean that the business community there is becoming more powerful politically and as a force for democratization. However, when civil society becomes better organized and more assertive, the implications for politics are not always clear. As the business community seeks to influence policy in areas other than the economic sector, then the institutionalists will be forced to address the political dimension. Bowie has come closest to tackling the political implications of the new patterns of state-society linkage, but the findings are not that encouraging. The links between the emerging Malay business interests and the Malay-dominated state have resulted in less not more democratization, and a more not less autonomous state.

THE STRUCTURAL IMPERATIVES OF THE INTERNATIONAL ECONOMY

The institutionalists make a point of analyzing the position of the foreign investors in the industries that they study. In every case we learn important detail about the ownership of shares, the differences in interest, the negotiating strategies, and the sources of bargaining leverage available to the foreign corporation. Often missing, however, is a systematic effort to chart changes in the world economy and the international division of labor that might help us understand the increase in the power of Third World capitalists. Doner does provide this kind of analysis. His chapter 4 is a skillful overview of the evolution of the global automobile industry and the changing goals of Japanese automobile TNCs in the Southeast Asian region. This overview is a prerequisite for his central project—explaining why the same industry with the same global imperatives would have different impacts in different settings. The cases presented by the other three authors are based on single-country studies and are not comparative. As a consequence, whatever discussion there is of the international context seems to emphasize the idiosyncratic impact of the world economy on a single country.

Some consideration is given to the role of the Reagan administration's effort to encourage the private sector (Laothamatas, 82), and, of course, the declining prices for petroleum exports have prompted the search for

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new revenue sources. The general decline in commodity prices in all cases is a powerful explanatory variable, but no reference is made to the structural constraints of the international economy upon domestic industrialization.

CONFLICTS, POLITICAL ALLIANCES, AND THE BUILDING OF RULING COALITIONS

The institutionalists do not provide an entirely satisfying framework for understanding the motivations and actions of the political elites. This is a result of their definition of the state as a loose and often divided set of institutions.

The ruling elite seeks legitimacy, but this (seemingly) is determined solely by the efforts of elites to provide stability and economic growth. There is no discussion of other strategies for winning elections or maintaining legitimacy. Again, Bowie is something of an exception because he takes account of the role of ethnicity in the legitimation of Malay political domination.

The institutionalists are writing from a society-centered and, in particular, a business organization–centered perspective. In the case studies, we learn of negotiations over policy in which the political elite is often forced to backtrack and respond to the pressures arising from the private sector and the state technocrats. What is not clear is how the state elites evaluate this pressure, what motivates them to change policy, how they may reconstruct their political coalitions in response to changes in the society, or whether what the case studies describe will culminate in long-term political liberalization.

Instead of a balanced account that explains the position of all participants in the decision-making process, the analysis proceeds from the assumption that ruling elites no longer provide adequate leadership (if they ever did). Moreover, even though the states of Southeast Asia may have provided a foundation for the rapid economic growth of the 1980s and 1990s, the institutionalists imply that today they are as prone to undercut as to support the business community.

The position of the technocrats is usually made clear and they are generally in alliance with business interests. But to reiterate a point already argued herein, the institutionalists need to examine and explain more systematically the political interests that (nontechnocratic) state actors bring to the bargaining table. This is probably the weakest portion of the institutionalists' framework. An example from MacIntyre illustrates this point. His first and most detailed case study, superbly done, deals with the textile industry in Indonesia. It highlights the conflicts between those who would use state power and political connections to

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manipulate the industry for private profit and the technocrats and business interests who seek to promote rationality and competitiveness so that the industry might expand to the global market. MacIntyre explains that "there was pressure for widespread economic reform. However, there were also very considerable countervailing pressures resisting economic liberalization from those who were either sceptical of the economic arguments put forward, or more significantly, had a major material interest in the status quo" (p. 126). He concludes with the observation that the "episode should be understood as a case of the government responding to external stimulus, rather than simply proceeding with a deliberate and preplanned policy reform agenda of its own. In sum, it is only when we take account of the tactical alliances forged between state *and* societal actors that we can make sense of the processes of policy formulation illustrated here" (p. 127). But MacIntyre undercuts the importance of this finding when he correctly points out that the key to understanding the way the government acted in this case is to understand the success of the private sector in convincing President Suharto to intervene in the debates then taking place within his own government. The case study conveys a clear understanding of the interests and actions of both the technocrats and business interests. Yet even though Suharto is the most important actor in resolving the policy debate (or in providing the collective good), the chapter does not provide any analysis of his political coalition, electoral strategy, or tactics for maintaining political legitimacy. In short, it is assumed rather than demonstrated that Suharto intervened because of pressure from societal actors.

STATE-SOCIETY LINKAGES AND INSTITUTIONS

This, by contrast, is the area in which the institutionalists make their greatest contribution. Their case studies are full of rich detail about the emergence of what Doner calls "growth coalitions" or what MacIntyre describes as a "loose partnership and tactical alliance between [insurance] industry leaders and various figures within the state structure" (pp. 235ff.). They have, in one way, truly dissected the policy-making process to show how societal actors are now becoming increasingly important partners in the process.

These works demonstrate that the state is not necessarily capable of making wise decisions about development. They demonstrate that there are collective goods that need to be produced by the state, but that the state seldom has sufficient information or expertise to make the most efficacious decisions. This is increasingly true as the economies of Southeast Asia diversify and face tougher international competition. Bowie

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concludes that by the late 1980s the Malaysian government was resigned to the failure of its heavy industries initiative and was engaged in a staged withdrawal from direct involvement in industrial development (p. 151). Doner refers to the Philippines under Marcos to demonstrate what happens when government grows increasingly isolated from technocrats and where the only functional ties with the private sector are crony connections that foster corruption (pp. 242–45).

The lower institutional capacity of the states of Southeast Asia distinguished this region from South Korea and Taiwan. This difference, in turn, is the reason the institutionalists writing about Southeast Asia discuss a form of society or inclusive institutionalism rather than the state institutionalism of Taiwan and South Korea. Examples of societal institutions range from business organizations to formal public sector–private sector consultations and other patterns of interaction. These institutions can reduce transaction and information costs as well as provide collective goods. They do this by reducing bureaucratic red tape, by pooling information, by reducing the need for regulation, and by increasing the efficiency of decision making. The collective goods produced by these institutions may include market information, sectoral coordination, bargaining leverage, or a myriad of other factors that have helped to make Southeast Asia internationally competitive in an expanding range of products and services.

Concluding Remarks: Toward a Constructive Dialogue

Taken collectively, the region of Southeast Asia is not following in the footsteps of either South Korea and Taiwan in Northeast Asia or the Latin American NICs. There is also a high level of diversity within the region, especially if one takes into account the countries of the region not discussed in this review. In fact, the region has a number of attributes that may make it appropriate for the development of models which are generally applicable to the Third World.

First, the economies of the region do not depend exclusively on low wages and manufactured exports. They are relatively well balanced because of their mining and agricultural sectors, and manufacturing exports are matched by large and growing service sectors, including tourism and labor exports. Thus, while these nations have relatively open economies such as those of South Korea and Taiwan, they are diversified economies more similar to those of Latin America. At the same time, the nations of Southeast Asia lack the economic size or the political predis-

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position of the Latin American governments, which have periodically sought self-reliant growth.

Second, the states of Southeast Asia, while relatively strong, are not nearly as autonomous as the states of South Korea and Taiwan. The bureaucracies of the region, like those of most Third World states, are subject to penetration by societal forces. And because these are multiethnic societies with ethnic minorities very active in the economy, public sector–private sector relations have often been conflictual. Meanwhile, foreign capital plays an important role in the region, but not to the degree that it has in Latin America (that is, most of Southeast Asia has avoided the problems brought on by high levels of external indebtedness). Rather, in Southeast Asia as in most of the Third World, the influence of the world capitalist order is felt mainly through foreign direct investment and such actors as the World Bank and the International Monetary Fund.

Third, historically and structurally Southeast Asia shares with most other Third World countries the experience of having been colonized by the Western European powers. Likewise they share similar patterns of decolonization.[46] In contrast, Northeast Asia was colonized by Japan and Latin America has been independent for well over a century and a half. Southeast Asia has lower levels of social and political mobilization than Latin America and smaller working and middle classes than Taiwan and South Korea.[47]

In the absence of a favorable international economic environment (such as the one created during the Korean or Indochinese wars), and lacking a strong, autonomous state or the cultural homogeneity of Northeast Asia, most Third World nations will not be able to imitate the experience of Korea and Taiwan.

However, these books do demonstrate that several countries in Southeast Asia have experienced a very enviable pattern of economic growth and that these countries are engaged in a major transformation toward continued industrial growth. Southeast Asia has achieved this record in ways that do not mimic the experience of either Latin America or Northeast Asia. For example, Southeast Asia has attracted more direct foreign

[46] Thailand is the obvious exception to this comparison, since it was never formally colonized by the Europeans. It was, however, subjected to analogous patterns of foreign domination and economic exploitation.

[47] These kinds of regional generalizations and comparisons are so broad that they may be of only marginal utility. But the comparison between Latin American and Northeast Asia has highlighted useful differences, and there are other regional comparisons that have also produced helpful insights, e.g., Eric Wolf, *Europe and the People without History* (Berkeley: University of California Press, 1982); and Peter Worsley, *The Three Worlds: Culture and World Development* (Chicago: University of Chicago Press, 1984).

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investment during the last decade than has any other region of the developing world.

Precisely because Southeast Asia has been so successful in promoting economic growth, the theoretical and empirical findings presented by the books under review lay a solid foundation for developing a more realistic comparison of the processes and consequences of industrialization in the Third World.

To be sure, there are more than just two approaches to explaining the political and economic transformation of the region.[48] However, the two approaches we have discussed are promising because they begin their analysis at the economic base without being trapped in economistic explanations of the spectacular economic growth in the region. The functions of the state and societal forces are systematically incorporated into their analytical frameworks. Unfortunately, the structuralists are stronger in their discussion of the state, while the institutionalists are better at explaining the activities of societal actors. This is because underlying the two frameworks we find the influences of two disparate, but related traditions—one neo-Marxist, the other neo-Weberian.

These two intellectual traditions are not necessarily contradictory. The structuralist interpretation is class-based, with class contention regarded as the ultimate dynamic of political and economic change in the region. Rapid economic growth is the result of a growing identification of interests between the politico-bureaucrats who control the state and the capitalist class that has been created by the state. The institutionalists, by contrast, emphasize societal factors such as business associations and communal settlements. Implicit in their argument is that with the increasing tendency toward *rationality* in policy-making, industrialization is likely to accelerate. In other words, a close public-private collaboration is a driving force behind the rapid economic change of the region. As the institutionalists understand this collaboration, it is pressure from the increasingly assertive private sector that gradually moves the politicians to shift from patrimonial styles of administration to more rational, even-handed policy-making and implementation.

The contrast in the theoretical underpinnings of the two approaches need not, however, automatically lead to mutually exclusive analytical frameworks. Precisely because of the multidimensional and heteroge-

[48] For example, William Liddle emphasizes the role of the politician in making wise economic choices; See Liddle (fn. 32); and idem, "The Politics of Development Policy," *World Development* 20 (June 1992). Mackie (fn. 26) is concerned with the political underpinnings of economic development. And Clad and Yoshihara (fn. 30) focus on the deviant character of capitalism and economic growth in the region.

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neous nature of industrialization and sociopolitical change in Southeast Asia in particular (and in the Third World in general), some aspects of the two contending approaches could engage in a constructive dialogue.

There are indications that the two frameworks are not as disparate as they appear initially. One of the structuralists—Robison—concludes his work by arguing that

> there are important indications that the domestic capitalist class is expanding its influence within the existing authoritarian structure. . . . Most leading politico-bureaucrat families are now also capital owners and embody the competing interests of capital accumulation and the needs of politico-bureaucrats to appropriate the state apparatus. The penetration of the capitalist class into the state apparatus therefore invades and subsumes the very heart of military and politico-bureaucrat power. As a consequence, the demands of capital are impressed more insistently and immediately upon the power holders. (p. 396)

Robison does not believe, however, that these changes in the political economy will lead automatically to bourgeois democracy. What it will lead to remains an open question. Southeast Asia is in a critical period in its post–World War II development. Located in a dynamic Pacific region, several Southeast Asian countries have been experiencing impressive economic growth and an apparent increase in pressure for political liberalization. The exact destination and pace of these changes is nevertheless by no means certain. The institutionalists have compelling evidence that some social groups (for example, the middle class and business interests) are becoming more assertive. The structuralists, by contrast, make clear that the balance of power remains with the traditionally dominant political forces (for example, patrimonial politico-bureaucrats and the military), which control the state and, thus, the policy-making process.

During a transitional period both the state and societal forces find themselves in shifting patterns of interdependence. The state needs legitimacy and it needs to gain economic resources from societal groups. These societal groups, in turn, need continued support from the state as they struggle for dominance in a competitive international marketplace.

This dual focus—on the coexistence of a relatively strong state and the growing influence of society-based actors, as well as on their need for mutual compromise—should serve as a starting point for any inquiry into the Southeast Asian political economy. It is at this juncture that the two approaches may be brought into a fruitful dialogue. What they share is a concern with state-society linkages, but these linkages should not be conceptualized as a zero-sum game. The growing influence of societal

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forces does not necessarily lead to either a diminution of state autonomy or a reduction in state capacity.[49]

We would like to conclude by suggesting that while it may be difficult to achieve a total synthesis of these two approaches, it is possible to explore areas of overlap by focusing on state-society linkages. In this endeavor one should pay greater attention to the impact of the emerging capitalist class (divided into its various fractions) upon the policy-making process. This class, facilitated by the state in its origin and to this day still somewhat dependent on the state, serves as an ideal connecting point between the state and society. But this study must be dialectical in the sense that the state and society both consist of actors with interests to defend. Each set of actors is evolving.

The changing characteristics of the dominant political elites should be given more emphasis. As a result of their (partial or complete) transformation into members of the capitalist class, their patrimonial tendencies may give way to a more capitalist orientation. If this process is in fact occurring, then the nature and political impact of these changes must be documented. Among these will be the reaction of other classes (for example, the urban working class) and other sectors (for example, the countryside) to the new patterns of state-society linkage. If these new linkages emerge and solidify, will the patterns of state legitimation and state institutional capacity also change in ways that allow the state to respond to other social forces and to channel them into a dynamic process of economic growth? A failure to manage this transition could lead to a breakdown in the political legitimacy of the system and this would demonstrate the political fragility of the economic development model being pursued in Southeast Asia. A successful transition, including a transition to a broader set of state-society linkages based on new patterns of political legitimation could make Southeast Asia a viable model for Third World development.

As the decade of the 1990s unfolds, the transformation that began two decades ago will certainly continue. A constructive dialogue between the structuralists and the institutionalists and a focus on the convergence of the state and society in the search for economic growth may give us some advantage in charting the course for this rapidly changing region.

[49] As one recent study shows, the state can play a key role in the smooth privatization of state enterprises. R. S. Milne, "The Politics of Privatization in the ASEAN States," *ASEAN Economic Bulletin* 7 (March 1991).

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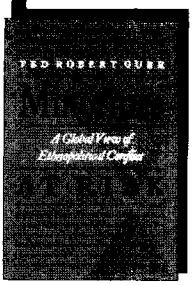

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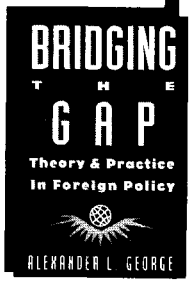

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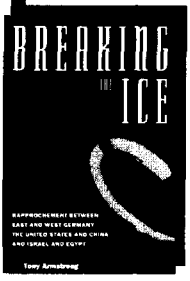

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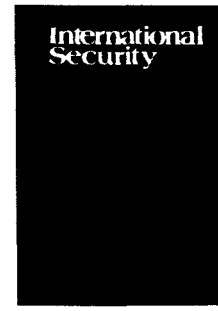

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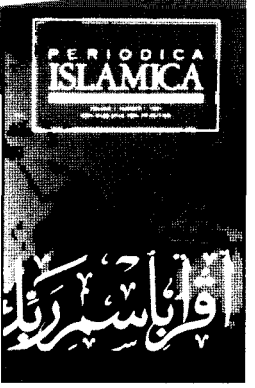

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